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TRANSCRIPT OF RECORD

Supreme Court of the United States

OCTOBER TERM, 1935.

No. 11

THE CHANDLER & PRICE COMPANY,
PETITIONER,

vs.

BRANDTJEN & KLUGE, INC., AND JOSEPH FREEMAN, INC.

ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT.

PETITION FOR CERTIORARI FILED MARCH 25, 1935.

CERTIORARI GRANTED APRIL 29, 1935.

SUPREME COURT OF THE UNITED STATES

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INDEX.

	Original	Print
Record from D. C. U. S., Eastern New York	1	1
Docket entries	1	1
Bill of complaint	3	2
Petition of Chandler & Price Co. for leave to intervene	9	7
Exhibit 1—Letter, Brandtjen & Kluge, Inc., to Mason Press, August 24, 1933	17	11
Exhibit 2—Letter, Pennie, Davis, Marvin & Edmonds to Joseph Freeman, March 31, 1934	19	13
Memorandum, Inch, D. J.	20	13
Order granting leave to intervene	21	14
Answer	22	14
Motion to dismiss intervener's counterclaim	38	25
Opinion, Campbell, D. J.	40	26
Order dismissing counterclaim	44	28
Motion for stay of proceedings	45	29
Order staying trial	48	31

JUDD & DETWEILER (INC.), PRINTERS, WASHINGTON, D. C., JUNE 10, 1935.

—6454-C

	Original	Print
Petition for appeal	49	31
Allowance of appeal	50	32
Assignment of errors	50	32
Bond on appeal (omitted in printing)	52	
Citation and service (omitted in printing)	54	
Praecipe for transcript of record	56	33
Stipulation as to transcript of record	58	34
Clerk's certificate (omitted in printing)	59	
Proceedings in U. S. C. C. A., Second Circuit	60	35
Opinion, Hand, J.	60	35
Decree	62	38
Petition for rehearing	64	39
Opinion, per curiam, on petition for rehearing	73	44
Order denying rehearing	74	44
Clerk's certificate	76	45
Order allowing certiorari	77	47

[fol. 1]

IN UNITED STATES DISTRICT COURT, EASTERN DISTRICT OF NEW YORK

Equity. No. 7237

BRANDTJEN & KLUGE, INC., Plaintiff,

vs.

JOSEPH FREEMAN, INC., and THE CHANDLER & PRICE COMPANY, Defendants

DOCKET ENTRIES

1934.

April 30. Plaintiff's notice of appearance and complaint filed. Subpœna issued.

May 5. Subpœna returned and filed—Served on Defendant.

June 1. Notice of appearance filed.

June 1. Order filed extending time to answer to June 25, 1934.

June 22. Notice of motion filed for leave to intervene, etc.

June 23. Order and stipulation extending time to answer to July 9, 1934.

June 27. Before Inch, J.—Hearing on motion to permit Chandler & Price Co. to intervene—motion argued—decision reserved—submitted.

June 30. By Inch, J.—Decision rendered granting motion to permit Chandler & Price Co. to intervene, etc. (see Memo attached to papers).

June 30. By Inch, J.—Order filed, entered granting leave to Chandler & Price Co. to int[illegible]ne, etc.

July 9. Answer and counterclaim filed.

July 20. Notice of motion filed to dismiss counterclaim, etc.

[fol. 2] July 25. Before Inch, J.—Hearing on motion to dismiss counterclaim—adjourned to August 1, 1934.

Aug. 1. Campbell, J.—Case called and adjourned to September 4, 1934.

Aug. 1. Campbell, J.—Hearing on motion to dismiss counterclaim—motion argued and submitted.

Aug. 10. By Campbell, J.—Decision rendered granting motion to dismiss counterclaim of Chandler & Price Co. and referring motion to vacate or-

1934,

der of June 30, 1934, to Inch, J. Settle order on notice (see Opinion Book).

Sept. 4. Campbell, J.—Case called and adjourned to September 5, 1934.

Sept. 5. Moscowitz, J.—Case called and adjourned to October Term.

Sept. 7. By Campbell, J.—Order filed and entered dismissing counterclaim, etc.

Sept. 21. Notice of motion filed for a stay, etc.

Sept. 26. Before Campbell, J.—Hearing on motion for a stay—motion argued—granted, staying trial only. Settle order on notice.

Sept. 29. By Campbell, J.—Order filed and entered staying trial.

Sept. 29. Præcipe filed.

Sept. 29. Petition for appeal and order allowing appeal, assignment of errors & bond for costs on appeal filed.

Oct. 2. Citation filed.

Oct. 2. Moscowitz, J.—Case called and adjourned to October 3, 1934.

Oct. 3. Moscowitz, J.—Case called and adjourned to November 6, 1934.

[fol. 3] IN UNITED STATES DISTRICT COURT, EASTERN DISTRICT OF NEW YORK

Equity. No. E-7237. Wells and Hunter Patent No. 1,363,200

BRANDTJEN & KLUGE, INC., Plaintiff,

vs.

JOSEPH FREEMAN, INC., Defendant

BILL OF COMPLAINT

To the Honorable Judges of the United States District Court for the Eastern District of New York:

The Plaintiff for its Bill of Complaint alleges:

1. This is a suit in equity brought under the patent laws of the United States for infringement of United States

Letters Patent No. 1,363,200, issued on December 21, 1920, for Improvements in Automatic Feed and Delivery for Platen Presses.

2. The plaintiff, Brandtjen & Kluge, Inc., is a corporation organized and existing under the laws of the State of Minnesota and has its principal place of business in St. Paul, Minnesota.

3. The plaintiff is informed and believes, and therefore avers, that the defendant, Joseph Freeman, Inc., is a corporation organized and existing under the laws of the State of New York and has a regular and established place of business in Brooklyn, County of Kings, State of New [fol. 4] York, in the Eastern District of New York, within which district the acts hereinafter complained of have taken place and are now taking place.

4. On December 16, 1907, Pierson L. Wells and Frederick W. Hunter, being then citizens of the United States and residents of the Borough of Brooklyn in the City and State of New York, and being within the meaning of the statutes of the United States then in force the true, original, first and joint inventors of certain new and useful Improvements in Automatic Feed and Delivery for Platen Presses, which were not known or used by others in this country before their invention or discovery thereof, and not patented or described in any printed publication in this or any foreign country before their invention or discovery thereof, or more than two years prior to December 16, 1907, and not in public use or on sale in this country for more than two years prior to December 16, 1907, and which had not been patented or caused to be patented by them in any foreign country on an application filed more than twelve months prior to December 16, 1907, and which had not been abandoned by them, duly filed in the United States Patent Office an application for Letters Patent on said improvements.

5. On December 21, 1920, all requirements of the statutes of the United States and rules of the Patent Office of the United States then in force and applicable to the said application having been complied with, there were duly granted and issued to the Miller Saw-Trimmer Company, a Pennsyl- [fol. 5] vania corporation, on the said application of Pierson L. Wells and Frederick W. Hunter, the said Miller Saw-

Trimmer Company being then the owner by mesne assignment of all right, title and interest in and to said application and improvements, Letters Patent of the United States No. 1,363,200, dated December 21, 1920, whereby there was secured to the said Miller Saw-Trimmer Company, its successors and assigns, for the term of seventeen (17) years from December 21, 1920, the exclusive right to make, use and sell the said improvements, as will appear from said Letters Patent, or a copy thereof, to be produced in court, of which profert is hereby made.

6. On or about April 18, 1928, the name of the said corporation to which the said Letters Patent were granted was changed from Miller Saw-Trimmer Company to Miller Printing Machinery Company. On or about October 23, 1928, the said corporation, then named Miller Printing Machinery Company and being then the owner of said Letters Patent No. 1,363,200, made and executed in due form of law and delivered to Brandtjen & Kluge, Inc., the plaintiff herein, a written assignment wherein and whereby there was assigned to the plaintiff all right, title and interest in and to said improvements and Letters Patent No. 1,363,200, as will appear by reference to said written assignment or a copy thereof to be produced in court. Since on or about October 23, 1928, the plaintiff has been at all times, and is now, possessed of all the right, title and interest in and to said improvements and in and to the said Letters Pat-
[fol. 6] ent No. 1,363,200, and entitled to all the benefits thereof.

7. The said improvements have been and are of great benefit and advantage to the public, and the public generally has acknowledged and acquiesced in the validity of the said Letters Patent and the rights of the plaintiff and its predecessor in title thereunder.

8. Heretofore, on or about June 15, 1922, suit was brought by the said Miller Saw-Trimmer Company against Otto R. Schilffarth in the District Court of the United States for the Eastern District of Wisconsin for infringement of the said Letters Patent No. 1,363,200 by reason of the use of a printing press made and sold by Brandtjen & Kluge, Inc., plaintiff herein, and the cause having come on for trial in open court and having been heard on bill of complaint and answer and other pleadings, and on evidence

presented by both parties, and having been argued by counsel for both parties and briefs having been filed by both parties, and the Court being fully advised in the premises, Honorable Ferdinand A. Geiger, District Judge of the said Court, rendered an opinion and on January 18, 1928, entered a final decree sustaining the said patent, particularly claims 11, 12, 18, 19, 24, 27, 37, 40, 41, 44 and 46 thereof, and finding said claims valid and infringed. On or about February 14, 1928, an appeal was taken from the said decree by the said Otto Schilffarth to the Circuit Court of Appeals for the Seventh Circuit. On or about October 28, 1928, Brandtjen & Kluge, Inc., purchased from Miller Printing [fol. 7] Machinery Company all right, title and interest in and to the said improvements and the said Letters Patent No. 1,363,200, as set forth hereinbefore, whereupon the said appeal was dropped.

9. Since the grant of the said Letters Patent, the plaintiff and its predecessor in title, each during its respective period of ownership of the said Letters Patent, has duly marked its machines made under the said Letters Patent in accordance with the requirements of Revised Statute 4900, 35 U. S. C. A. Sec. 49, as then in force.

10. The plaintiff is informed and believes, and therefore avers, that within six years last prior to the filing of this Bill of Complaint, the defendant, Joseph Freeman, Inc., has, within the Eastern District of New York, used and caused to be used a certain automatic platen printing press, in what is known as a twelve by eighteen inch size, employing improvements described and claimed in the said Letters Patent, particularly claims 11, 12, 18, 19, 21, 22, 23, 24, 25, 26, 27, 28, 37, 38, 39, 40, 42, 43 and 44 thereof, unlawfully and without license of the plaintiff and in infringement of the said Letters Patent and plaintiff's rights thereunder, and threatens to continue said infringement.

11. On or about April 2, 1934, plaintiff notified the defendant herein of its ownership of the said Letters Patent and of defendant's infringement thereof, but defendant has continued to use the said machine since that notice.

12. Plaintiff is a manufacturer and seller of printing presses and a great part of its business consists in making [fol. 8] and selling presses employing the said improve-

ments of the Wells and Hunter patent No. 1,363,200. The plaintiff has expended large sums of money in acquiring its rights in the said improvements and Letters Patent and in making them of benefit to the public and profitable to itself. But for the said infringement by the defendant and the defendant's threat to continue that infringement, plaintiff would now be able to make and sell its presses with greater profit and advantage, and if defendant's infringement should continue, the plaintiff would be irreparably damaged. The defendant has profited by the said infringement but in an amount which the plaintiff cannot ascertain without an accounting by the defendant. The plaintiff has no adequate remedy at law.

Wherefore, the plaintiff prays:

1. That a permanent injunction be issued by this Court forever enjoining and restraining the defendant, its officers, attorneys, agents, servants, workmen, employees, and each of them, from infringing or contributing to the infringement of said Letters Patent No. 1,363,200.

2. That the defendant be ordered by this Court to account for and to pay to the plaintiff all profits, gains and advantages had by the said defendant by reason of any infringement of the said Letters Patent, and that this Court assess, or cause to be assessed, and cause to be paid to the plaintiff the damages which the plaintiff has suffered by reason of any infringement of said Letters Patent by the defendant.

[fol. 9] 3. That the defendant be ordered to pay all the costs, disbursements and charges of this suit.

4. That the Court grant such other and further relief as the case may require.

Answer under oath is waived.

Brandtjen & Kluge, Inc., By Henry A. Brandtjen, Treasurer. Pennie, Davis, Marvin & Edmonds, Solicitors for Plaintiff. Pennie, Davis, Marvin & Edmonds, Dean S. Edmonds, John Hoxie, of Counsel.

IN UNITED STATES DISTRICT COURT, EASTERN DISTRICT OF NEW YORK

[Title omitted]

PETITION FOR LEAVE TO INTERVENE

To the Judges of the District Court of the United States, for the Eastern District of New York:

The Chandler & Price Company, your petitioner, respectfully alleges and shows as follows:

[fol. 10] 1. Petitioner is a corporation of the State of Ohio, having its principal office and place of business at Cleveland, in said State, where for many years past it has been engaged in the manufacture of platen and other printing presses, attachments for such printing presses, and particularly the certain automatic platen printing press known as a 12x18 inch size, the use whereof by the above named defendant, Joseph Freeman, Inc., is complained of in the bill of complaint herein.

2. The above entitled cause was commenced in this Court by the service of a writ of subpoena on Joseph Freeman, Inc., defendant herein, on the 4th day of May, 1934, but defendant has not yet filed its answer herein, nor have any other proceedings been had to date, plaintiff having agreed to an extension of time for filing such answer or other defense to and including June 8, 1934.

3. Said bill of complaint in brief alleges ownership in plaintiff, Brandtjen & Kluge, Inc., of United States Letters Patent No. 1,363,200, which issued under date of December 21, 1920, to Miller Saw-Trimmer Company, of Pittsburgh, Pa., a corporation of Pennsylvania, and charges defendant, Joseph Freeman, Inc., with having infringed said Letters Patent by using and causing to be used, within the Eastern District of New York, a certain automatic platen printing press which, as hereinbefore stated, is of petitioner's manufacture and has heretofore been sold by petitioner to said defendant.

[fol. 11] 4. Petitioner has an interest in the litigation in the above entitled cause against the plaintiff therein arising out of the following facts, viz.:

(a) Subsequently to placing on the market its aforesaid automatic platen printing press, petitioner has on a number of occasions been advised by customers of threats made by plaintiff, either directly or indirectly, that suit for patent infringement would be brought again- said customers if they purchased and/or used petitioner's aforesaid machines.

(b) As illustrative of the type of threats which have thus been made against petitioner's customers, reference is made to the attached copy of a letter, marked "Exhibit 1," dated August 24, 1933, addressed by plaintiff to the Mason Press, of Detroit, Michigan.

(c) As the result of letters such as the foregoing and verbal statements and threats to the same effect made by plaintiff and/or its authorized representatives, petitioner has in a number of instances given bonds to purchasers of its aforesaid automatic platen printing presses.

(d) Preliminarily to the bringing of the present suit against defendant, Joseph Freeman, Inc., the latter was notified by letter from plaintiff's counsel, dated March 31, 1934, of which a copy is likewise attached, marked "Exhibit [fol. 12] 2", such letter identifying the aforesaid automatic printing press complained of as of petitioner's manufacture.

(e) This notice was immediately referred by defendant to petitioner in Cleveland, who in turn referred it to its patent counsel, and the latter, on petitioner's behalf, directed an inquiry under date of April 7, 1934, to plaintiff's counsel as to whether this notice was given merely as prelude to bringing suit, after having selected the Eastern District of New York as the preferred tribunal rather than bringing suit directly against petitioner in the Northern District of Ohio. To this counsel for plaintiff replied under date of April 10, 1934, stating that decision had been reached to file suit against defendant and adding:

"The present condition of the calendar of the District Court of Brooklyn indicates that a suit for patent infringement can be reached for trial there at an earlier date than in most other districts, and that was a factor which influenced us in concluding to file suit in Brooklyn."

In accordance with further promise made in such letter of April 10, plaintiff's counsel under date of May 4, 1934, served on petitioner's counsel a copy of the bill of complaint as filed the same day in this Court.

(f) In the interval both plaintiff's counsel and Mr. Charles G. Cope, of Pittsburgh, Pa., representing plaintiff, [fol. 13] have sought through petitioner's counsel to arrange with petitioner to make available to plaintiff one of petitioner's aforesaid automatic platen printing presses in order that plaintiff might make drawings therefrom for use in this suit, and in various other ways it has been indicated that the suit is in effect directed against petitioner and that Joseph Freeman, Inc., is regarded merely as the nominal defendant.

(g) Petitioner, with full knowledge of plaintiff, has been selling automatic printing presses of the construction complained of in this suit to various of its customers throughout the United States long prior to the filing of such suit, and, as hereinbefore indicated, plaintiff threatens to bring suits against other users of said machines, thereby greatly injuring petitioner's business and unnecessarily harassing its customers.

(h) Plaintiff has never brought suit against petitioner charging it with infringement of the patent here sued on by reason of petitioner's manufacture, use and/or sale of the press herein complained of, although petitioner has manufactured and sold said presses throughout the United States long prior to the filing of the bill and with the full knowledge of plaintiff. a specimen of such press having, at plaintiff's request, been exhibited at petitioner's plant to Mr. Charles G. Cope representing plaintiff.

5. The interest of petitioner in the above entitled suit accordingly is such that its intervention in this cause is neces- [fol. 14] sary to the protection of its interests, as set forth in detail in Paragraph 4 above, because of the following facts, viz.:

(a) Defendant, Joseph Freeman, Inc., has purchased from petitioner and is using but one of the presses herein complained of, and the charge of infringement is based solely on the use of that press.

(b) Defendant, Joseph Freeman, Inc., is merely a nominal defendant and has not sufficient interest in the result of this suit to properly defend the same on its own account; whereas, petitioner has great interest in the result of the controversy in that if a decree be entered against said nominal defendant and an injunction granted, as prayed for in the bill of complaint, petitioner fears that plaintiff will pursue its other users and start suits against them, as it has threatened to do, and that a preliminary injunction will be sought in such suits on the ground of prior adjudication of the patent, all of which would tend to greatly injure the business of petitioner.

(c) Petitioner is obligated and expects openly to defend Joseph Freeman, Inc., against whom this suit is nominally brought, and plaintiff is already advised that counsel retained by plaintiff are with the consent and approval of the defendant representing the latter in this suit.

(d) Because of obligations incurred by petitioner to other [fol. 15] purchasers of its aforesaid automatic platen printing press, which forms the subject-matter of this suit, petitioner is vitally concerned in the outcome of the litigation.

(e) The suit has evidently been brought against the nominal defendant, instead of against petitioner, merely to serve plaintiff's assumed convenience.

6. Petitioner has applied for leave to intervene at the earliest possible date after being advised of the bringing of this suit and ascertaining what issues are involved therein. No action whatever has been taken in the suit beyond the filing of the bill of complaint.

Wherefore, petitioner prays that this Court make an order granting leave to petitioner to intervene as a defendant, with leave to file an answer or other defense, and for such other and further relief as to this Court seems just.

The Chandler & Price Company, by R. J. Frackelton, President. John F. Ryan, 51 East 42nd St., New York, N. Y., Solicitor for Petitioner; Wallace R.

Lane, Bankers Bldg., Chicago, Ill.; Jno. F. Oberlin, Leader Bldg., Cleveland, Ohio, of Counsel for Petitioner.

Cleveland, Ohio, June 4, 1934.

[fol. 16] *Duly sworn to by R. J. Frackelton and Joseph Freeman. Jurats omitted in printing.*

[fol. 17] EXHIBIT 1—TO PETITION FOR LEAVE TO INTERVENE

Copy Letter from Brandtjen & Kluge, Inc., Detroit Branch

August 24, 1933.

The Mason Press,
3289 Collingwood Ave., Detroit, Michigan.

GENTLEMEN:

We are writing you this letter because we want you to know that we appreciated the courtesy extended us in investigating the Kluge before making your decision in regard to an automatic press. There is some information that we feel we should give you, because of this courtesy which you have extended us, in regard to the machine which you have decided to buy. I hope you will take this in the spirit in which it is given. Had you not shown us the courtesy you did, we probably would have let you do your own worrying in regard to this particular point.

Approximately three years ago, Brandtjen & Kluge, Inc., purchased patent rights from the Miller Company. These patent rights cost us well over one-half million dollars. They covered certain basic principles which, along with the patents we already held, give us almost exclusive rights on a complete air-feed and delivery feeder on a platen type press. It was necessary for us to protect our rights once before and we found that our patents enabled us to have the protection.

Brandtjen & Kluge, Inc., I know have notified the company that manufactures the machine for which you state you have placed your order, that they consider this feeder an infringement on their patent rights and we have every [fol. 18] reason to believe that Brandtjen & Kluge will start

action because a company with an investment of close to three-quarter million dollars in patents is not going to stand by and let these patents be infringed. There is considerable to this story too that we do not care to mention here.

Now, the suggestion which we are going to make for your own protection, is that you have the manufacturer of this machine issue you a bond, and preferably insist that the man selling it to you indemnify you in case of damage. Now you may not look at this the way we look at it but we want you to know that we have been through the mill.

I am sure that you can see that if this machine is not an infringing machine that either the manufacturer or the dealer through whom you are buying the machine should have no hesitancy about so assuring you and the only assurance of which you can be positive is a guarantee to indemnify. You are not asking either of these concerns too much. Things happen fast. Four or five years ago the Miller Company was a prosperous growing concern, paying their obligations. Today they are in the hands of a receiver.

Again may we assure you that the intention of this letter is not to change your mind in regard to the equipment that you are going to buy but the information given here is given you in a friendly spirit. Should you want additional information we would be glad to have you call at the office or telephone.

Very truly yours, Brandtjen & Kluge, Inc., By C. S. Tompkins (Signed), Branch Manager.

C. S. Tompkins.
HM.

[fol. 19] Incidentally might state that this particular machine was removed from three different plants in Cleveland where they were installed—also the only plant we have record of in Detroit where this machine was installed, the unit was removed.

C. S. T.

EXHIBIT 2—TO PETITION FOR LEAVE TO INTERVENE

PENNIE, DAVIS, MARVIN AND EDMONDS

Counsellors at Law

165 Broadway

New York

March 31, 1934.

Joseph Freeman, Inc.,
94 Rogers Avenue, Brooklyn, N. Y.

SIRS:

On behalf of our client, Brandtjen and Kluge, Inc., we inform you that your use of the Chandler & Price 12x18 automatic platen printing press now at your plant constitutes an infringement of United States Letters Patent to Wells and Hunter No. 1,363,200, owned by Brandtjen & Kluge, Inc. A copy of this patent is enclosed herewith.

We trust that it will be necessary merely to call this infringement to your attention to lead you to respect our client's rights, which they must maintain.

Please let us have an answer at your earliest convenience.

Yours very truly, Pennie, Davis, Marvin & Edmonds.

[fol. 20] IN UNITED STATES DISTRICT COURT

E. 7237

BRANDTJEN & KLUGE, INC.,

vs.

JOSEPH FREEMAN, INC.

June 27, 1934.

Before Inch, J.

Motion for an order permitting Chandler & Price Co. to Intervene and be made a party defendant.

APPEARANCES

John F. Ryan, for Chandler & Price Co., for motion; Pennie, Davis, Marvin & Edmonds, for plaintiff.

Motion argued and decision reserved and submitted.

MEMORANDUM, INCH, D. J.—Filed June 30, 1934.

It now appears to be essential to the business of Chandler & Price Co., that the validity, etc., of the patent, etc., be determined and said Company will, as is arranged be bound by the Decree in this suit. Sufficient interest therein is manifest in the papers to warrant the intervention asked. Motion granted.

R. A. Inch, U. S. D. J.

June 30, 1934.

[fol. 21] IN UNITED STATES DISTRICT COURT, EASTERN DISTRICT OF NEW YORK

[Title omitted]

ORDER GRANTING LEAVE TO INTERVENE—Filed June 30, 1934

This cause coming on to be heard on the 27th day of June, 1934, on the petition of The Chandler & Price Company for leave to intervene in the above entitled suit and to be made a party defendant thereto, and the petition having been duly considered, and it appearing to the Court that said The Chandler & Price Company has an interest in the above entitled suit sufficient to warrant it to become a party thereto;

It is therefore ordered, adjudged and decreed that said The Chandler & Price Company be and it hereby is granted leave to intervene in said suit as a party defendant.

R. A. Inch, United States District Judge.

June 30, 1934.

[fol. 22] IN UNITED STATES DISTRICT COURT, EASTERN DISTRICT OF NEW YORK

[Title omitted]

ANSWER—Filed July 9, 1934

The defendants, Joseph Freeman, Inc., and The Chandler & Price Company, file this, their answer to the bill of complaint herein, and say:

I

Defendants have no knowledge as to the corporate organization, existence and principal place of business of plaintiff and therefore, on information and belief, deny the allegations of the bill of complaint with respect thereto.

II

Defendant Joseph Freeman, Inc., admits that it is a corporation organized and existing under the laws of the State of New York, and that it has a regular and established place of business in Brooklyn, New York; and defendant, The Chandler & Price Company, states that it is a corpora-
[fol. 23] tion organized and existing under the laws of the State of Ohio, that it has its principal office and place of business at Cleveland, Ohio, and that it appears in this suit as co-defendant with said party Joseph Freeman, Inc., pursuant to order granting leave to intervene entered herein under date of June 30, 1934.

III

Defendants deny that they, or either of them, have committed any acts of infringement, as complained of in the bill of complaint, or otherwise, within the Eastern District of New York or elsewhere.

IV

Defendants jointly and severally deny each and every of the allegations contained in the paragraphs numbered 4 and 5 of the bill of complaint as to the improvements in automatic feed and delivery for platen presses claimed to be disclosed in and covered by said Letters Patent No. 1,363,200, asserted in the bill of complaint, and specifically

(a) Deny that the said Pierson L. Wells and Frederick W. Hunter were the original, first and joint inventors of the said alleged new and useful improvements;

(b) Deny that said improvements were not known or used by others in this country before the alleged invention thereof by said Wells & Hunter, and patented or described
[fol. 24] in any printed publication in this or any foreign country before their alleged invention or discovery thereof, or more than two years prior to their application for United States Letters Patent therefor, and that the same

were not in public use or on sale in this country for more than two years prior to their alleged application for United States Letters Patent therefor, and that the same were not patented or caused to be patented by them, or their legal representatives or assigns, in any foreign country on an application filed more than twelve months prior to the filing of their said application for patent in the United States, and that the same were not abandoned;

(c) Deny that said Wells & Hunter lawfully filed and thereafter prosecuted their alleged application for United States Letters Patent, as recited in the bill of complaint, and that Letters Patent were lawfully granted and issued thereon;

(d) Deny that there was issued to said Wells & Hunter, or their assignees, for the term of seventeen years from the date of the alleged patent, the exclusive or any right to make, use and vend the said alleged improvements throughout the United States and the territories thereof; and

(e) Deny that said patent No. 1,363,200 issued in due form of law to Miller Saw-Trimmer Company, a corporation of Pennsylvania, as assignee, or that the said Wells [fol. 25] & Hunter by an instrument in writing, duly recorded in the United States Patent Office, assigned all of their right, title and interest in, to and under the said application and the alleged invention described therein to said Miller Saw-Trimmer Company, to whom the patent was issued.

V

Defendants deny each and every of the allegations contained in paragraph numbered 6 of the bill of complaint and specifically deny that this plaintiff now has or ever has had such title in, to or under said patent No. 1,363,200, as will support its bill of complaint; deny that plaintiff has any title in, to or under the alleged improvements covered by said patent; and deny that plaintiff ever acquired any right to recovery for past infringement of said patent. Defendants allege that, on the contrary, there are other persons, firms or corporations having interest in, to or under said patent and/or improvements without whom the suit may not be fully and properly tried.

VI

Defendants deny that the said alleged improvements have been and are of great or any benefit and advantage to the public and that the public has generally or at all or in any way acquiesced in the validity of the said patent in suit.

VII

Defendants deny each and every of the allegations contained in paragraph numbered 8 of the bill of complaint [fol. 26] in manner and form as there stated, and specifically deny that the suit and/or proceeding, viz., Miller Saw-Trimmer Company vs. Otto R. Schilffarth, therein mentioned as having been brought in the United States District Court for the Eastern District of Wisconsin was vigorously contested on behalf of the party defendant, and further allege that said case was not tried on a full and complete record and that it was not fully and adequately defended, and that the decision resulting from said litigation is in no wise binding on these defendants, or either of them.

VIII

Defendants deny that the public has been given due notice by the plaintiff and its alleged predecessors in title that the alleged invention claimed and secured by the patent in suit has been patented in the manner and form prescribed by law.

IX

Defendants deny that since the date of the alleged grant of said patent in suit, they, or either of them, have unlawfully and without license of the plaintiff or at all employed, are now employing or intend to employ any of the alleged improvements described and claimed in the patent in suit, either in the claims particularly recited in paragraph numbered 10 of the bill of complaint or others; and defendants jointly and severally deny that they have at any time in any place or in any manner infringed upon said patent in suit, or any of the claims thereof, or any rights of plaintiff, or that they are now so infringing or intend so to do.

[fol. 27]

X

Replying to paragraph numbered 11 of the bill of complaint, defendant, Joseph Freeman, Inc., admits that it did duly receive through the mail a letter, dated March 31, 1934, whereof a true copy, marked "Exhibit 2", is attached to and forms a part of the petition of co-defendant, The Chandler & Price Company, for leave to intervene herein.

XI

Defendants charge and allege:

(a) That said Letters Patent No. 1,363,200 and each and every part and claim thereof here asserted are void and of no effect in law because the alleged improvements claimed to be therein described, disclosed and claimed had been, long prior to the alleged invention or discovery thereof by the said patentees Wells & Hunter, or more than two years prior to their alleged application for said patent, patented, described and fully disclosed to the public in various patents and printed publications in the United States and foreign countries;

(b) That said patentees were not the original, first and true inventors or discoverers thereof, or of any material or substantial part of the alleged improvements claimed to be patented in said patent in suit, but that said improvements had been in public use and on sale in this country for more than two years prior to the application for said patent and each and every part thereof had been invented [fol. 28] and discovered and used by and known to others in this country and elsewhere before the alleged invention or discovery or appropriation thereof by said Wells & Hunter;

(c) That in view of the prior art existing at the time, there was no invention in what said Wells & Hunter claimed to have invented; and

(d) That said alleged improvements had been abandoned and given to the public.

The following patents, names of parties mentioned in said patents, with the addresses there given, printed publications, prior users, inventors, discoverers and those having prior knowledge, are among those supporting these

defenses and to which defendants make reference and give notice, to-wit:

United States Patents:

9,410, S. P. Ruggles, Nov. 16, 1852;
12,118, D. Baldwin, Jan 2, 1855;
182,146, J. T. & F. Ashley, Sept. 12, 1876;
203,709, C. B. Cottrell, May 14, 1878;
208,796, C. B. Cottrell, Oct. 8, 1878;
209,683, J. Hird, Nov. 5, 1878;
393,978, J. T. Hawkins, Dec. 4, 1888;
406,059, L. Orser, July 2, 1889;
497,484, R. S. Anderson, May 16, 1893;
499,749, J. R. McDonald, June 20, 1893;
583,376, H. Hoppe, May 25, 1897;
648,066, J. S. Bullock, Apr. 24, 1900;
658,812, D. G. Smyth, Oct. 2, 1900;
789,881, P. F. Rice, May 16, 1905;
824,920, J. H. Erickson, July 3, 1906.

[fol. 29] Foreign Patents

British, 1260 of 1877 to James Hird.
British, 25929 of 1897 to Thomas Forknall.

Printed Publication

Los Angeles Daily Times, issue of Nov. 4, 1903, published daily at Los Angeles, Calif.

Prior Users, Inventors, Discoverers and Those Having Prior Knowledge of the Alleged Invention, With Their Addresses, Which Generally are Also the Places Where the Uses Occurred and Knowledge and Discovery Had and Work Done

The Chandler & Price Company, Cleveland, O.
Percy F. Rice, Tustin, Calif.
American Type Founders Co., Los Angeles, Calif.
Humana Company, Newark, N. J.

The foregoing individuals as well as the officers, employees and agents of the named companies had knowledge of, had discovered, invented, used and disclosed to others the alleged improvements of the patent in suit at the places

given and elsewhere in the United States and elsewhere before the alleged invention or discovery thereof by said Wells & Hunter, and had been used publicly and had published said alleged improvements at the places named and elsewhere in the United States and other countries for more than two years prior to the application of the patent in suit.

[fol. 30] XII

Defendants, further answering, charge and allege that the Letters Patent in suit and every part and claim thereof are invalid and of no force and effect in law for the following reasons:

(a) Because the description and claims thereof are not in such full, clear, exact and concise terms as required by statute and as will enable persons skilled in the art to construct and use the alleged improvements covered by said Letters Patent, and fail to disclose an operative mechanism and device;

(b) Because the alleged improvements of the patent in suit are not the result of the exercise of inventive faculty but involve nothing more than mere mechanical skill and practice;

(c) Because the said Letters Patent in suit and each and every part and claim thereof are void for want of patentable novelty and invention;

(d) Because the disclosure of the patent in suit is inoperative and wholly unusable and impractical;

(e) Because the platen printing press used by defendant, Joseph Freeman, Inc., and charged to infringe the patent in suit, is the result of the work of the engineers and employees of defendant, The Chandler & Price Company, in connection with their knowledge of the existing art avail-
[fol. 31] able to them and the public generally long prior to any alleged invention or discovery by said Wells & Hunter, and in particular, in so far as any automatic feed or delivery devices are utilized in said printing press, such devices are substantially identical with those shown and described in United States Letters Patent No. 789,881, which issued to Percy F. Rice under date of May 16, 1905, and have long since expired.

XIII

Defendants charge and allege that the platen printing press herein complained of is entirely different in design, principle and construction from those involved in the prior litigation referred to in the bill of complaint, and that the plaintiff in this suit was the actual defendant in the aforesaid suit of Miller Saw-Trimmer Company vs. Otto R. Schifffarth, and well knows that patent No. 1,863,200, herein sued on, is invalid and of no force and effect in law as the result of the investigations which it made when it was defending against said patent, and that it has since suppressed and hidden the information which was then secured.

Defendants further allege that in said prior litigation the plaintiff therein misinformed the Court as to the value and practicability of the paper feeding and delivery mechanism for printing presses shown and described in the aforesaid Rice patent No. 789,881, of 1905, and the defendant therein failed to offer proof as to the prior successful public use of said Rice printing press as constructed and operated within the United States prior to 1905, and further failed to [fol. 32] show to the Court, among other things, as is the fact, that said printing press was thus successfully and publicly operated and did in its operation feed the paper substantially parallel to the platen and to positioning stops; that subsequent to the final hearing in the aforesaid suit, the plaintiff herein, who defended said suit, did take, for use on its behalf in a suit brought in the United States District Court, Southern District of New York, against it, based on the same patent, viz., E 42-1, Miller Saw Trimmer Co. vs. Brandtjen & Kluge, Inc., the testimony of Percy F. Rice, patentee of said Rice patent, which testimony was never filed, but which showed, as defendants are informed and believe, that said Rice printing press had been successfully used publicly in the United States prior to 1905, and that promptly after the taking of such testimony, the parties to such last mentioned suit compromised and settled the same.

Wherefore, defendants deny that plaintiff is entitled to any of the relief sought and prayed for in the bill of complaint; deny plaintiff's right to injunction, damages, profits and costs, and pray that the bill of complaint be dismissed for want of equity at the costs of plaintiff.

Set-Off or Counter-Claim

Defendants, further answering, say by way of set-off or counter-claim:

XIV

Heretofore and prior to April 18, 1921, Charles F. Root, of Cleveland, Ohio, was the true, original and first inventor of certain new and useful Improvements in Sheet Trans- [fol. 33] ferring Mechanism for Printing Presses, not known or used by others in this country before his said invention or discovery thereof, and not patented or described in any printed publication in this or any foreign country before his invention or discovery thereof, or more than two years prior to his application for patent therefor, and not in public use or on sale in this country for more than two years prior to his application for patent therefor, and no application for a foreign patent for said invention having been filed more than twelve months prior to the filing of the application in this country, and the same having not been abandoned, said Charles F. Root made due application in writing to the Commissioner of Patents of the United States for a patent on said improvements within the time and under the conditions prescribed by law.

XV

In further compliance with the requirements of the Statutes and Rules of the Patent Office of the United States then in force, said original application was divided and a divisional application filed August 12, 1930, and having duly prosecuted said application, all requirements of such Statutes then in force and applicable to said application having been complied with, and The Chandler & Price Company, an Ohio corporation, defendant and counter-claimant herein, being then the owner by assignment of all right, title and interest in and to said application and improvements, there were duly granted and issued to said The Chandler & Price Company, on the said divisional application of Charles F. Root, Letters Patent of the United [fol. 34] States No. 1,849,314, dated March 15, 1932, whereby there was secured to said The Chandler & Price Company, its successors and assigns, for the term of seventeen years from March 15, 1932, the exclusive right to make, use and sell the said improvements, as will appear from

said Letters Patent, or a copy thereof, to be produced in Court, of which profert is hereby made.

XVI

Said The Chandler & Price Company, defendant and counter-claimant herein, has ever since the date of issue of the aforesaid Letters Patent No. 1,849,314, continued to own and does now own all right, title and interest in and to said Letters Patent and in and to the invention and improvements covered thereby, and in and to all profits and damages and all right of action for recovery of same by reason of past infringement of said Letters Patent.

XVII

The invention and improvements described and claimed in said Letters Patent are of great value and utility; said defendant and counter-claimant has expended large sums of money in adapting and perfecting the same and introducing them into public use, and has made, used, and sold to be used, sheet transferring mechanism for printing presses embodying said improvements in large number, and is ready and willing and fully prepared to meet all market demands for such sheet transferring mechanism; [fol. 35] and said defendant and counter-claimant has given due and sufficient notice to the public that the aforesaid sheet transferring mechanism is patented under and by the aforesaid Letters Patent, and in particular by letter addressed to this plaintiff, and by it duly received, has called attention to said Letters Patent and informed said plaintiff that sheet transferring mechanism which it is manufacturing, using and selling constitutes an infringement of said Letters Patent and requested plaintiff to desist from such infringement.

XVIII

Said defendant and counter-claimant is informed and believes, and therefore avers, that within six years last prior to the filing of this bill of complaint, the plaintiff herein has, within the Eastern District of New York, and elsewhere in the United States, manufactured, sold, used and caused to be used, sheet transferring mechanism for printing presses employing the improvements described and claimed in said Letters Patent, and particularly claims

1, 3 and 5 thereof, unlawfully and without license of said defendant and counter-claimant, and in infringement of the said Letters Patent and the rights of said defendant and counter-claimant thereunder, and threatens to continue said infringement. But for said infringement by plaintiff and threat to continue the same, said defendant and counter-claimant would now be able to make and sell printing presses equipped with the aforesaid improved sheet trans- [fol. 36] ferring mechanism with greater profit and advantage, and if plaintiff's infringement should continue, said defendant and counter-claimant would be irreparably damaged. Plaintiff has profited by said infringement, but in an amount which said defendant and counter-claimant cannot ascertain without an accounting by the plaintiff. Said defendant has no adequate remedy at law.

Wherefore, defendants pray:

1. That a permanent injunction be issued by this Court forever enjoining and restraining the plaintiff, its officers, attorneys, agents, servants, workmen, employees, and each of them, from infringing or contributing to the infringement of said Letters Patent No. 1,849,314.

2. That the plaintiff be ordered by this Court to account for and to pay to said defendant and counter-claimant all profits, gains and advantages had by the said plaintiff by reason of any infringement of the said Letters Patent, and that this Court assess, or cause to be assessed, and cause to be paid to the defendants, the damages which they respectively have suffered by reason of any infringement of said Letters Patent by the plaintiff.

3. That the plaintiff be ordered to pay all of the costs, disbursements and charges arising out of this counter-claim.

4. That the Court grant such other and further relief as the case may require.

[fol. 37] Answer under oath is waived.

Joseph Freeman, Inc., by Jos. Freeman, President. The Chandler & Price Company, by D. W. Frackelton, Vice-President. John F. Ryan, Solicitor for Defendants. Wallace R. Lane, Jno. F. Oberlin, of Counsel.

Duly sworn to by D. W. Frackelton. Jurat omitted in printing.

[fol. 38] IN UNITED STATES DISTRICT COURT, EASTERN DISTRICT OF NEW YORK

[Title omitted]

MOTION TO DISMISS INTERVENER'S COUNTERCLAIM—Flied July 20, 1934

Brandtjen & Kluge, Inc., plaintiff herein, by Pennie, Davis, Marvin & Edmonds, its solicitors, moves (1) that the counterclaim filed by Chandler & Price Co., Intervener, on July 9th, 1934, be dismissed and (2) that the Order of this Court, entered June 30th, 1934, permitting Chandler & Price Co., to intervene, be vacated and set aside.

1. As grounds for its motion to dismiss the counterclaim, plaintiff states:

(a) The Intervener is without right to file a counterclaim for an independent cause of action to which the defendant, Joseph Freeman, Inc., is a stranger.

(b) The counterclaim and proceedings thereon would [fol. 39] confuse and delay the suit on the cause of action set forth in the bill of complaint.

2. As grounds for the motion to vacate the order permitting intervention, plaintiff states:

(a) The order was entered on a petition which did not disclose the real purpose of the intervention.

(b) The order was entered on the basis of a supposed necessity in the petitioner, which is not the fact.

(c) The intervention has already delayed and will continue to delay the plaintiff's suit against Freeman, Inc., to the serious prejudice of the plaintiff, and in plaintiff's submission the intervention is calculated to bring about such delay and to postpone an adjudication of the question of infringement of plaintiff's patent in the use of petitioner's make of machine.

Pennie, Davis, Marvin & Edmonds, Solicitors for Plaintiff.

New York, N. Y., July 19, 1934.

[fol. 40] In United States District Court, Eastern District of New York

Equity. No. 7237

Brandtjen & Kluge, Inc., Plaintiff,

against

Joseph Freeman, Inc., and The Chandler & Price Company, Defendants

August 10, 1934.

Pennie, Davis, Marvin & Edmonds, for Plaintiff for Motion; Dean S. Edmonds, and Jn. Hoxie, of counsel;
John F. Ryan, for Chandler & Price Co.

Opinion, Campbell, D. J.—Filed August 10, 1934

Campbell, D. J.:

These are two motions made by the plaintiff.

1. To dismiss the counterclaim filed by Chandler & Price Co., Intervener.

2. To vacate order entered on June 30, 1934, allowing Chandler & Price Co. to Intervene.

The second motion should be addressed to Judge Inch, who made the order. I therefore respectfully refer that [fol. 41] motion to him, and if the Clerk be communicated with at once, he can probably arrange for its being heard or considered on submission.

We will now consider the first motion.

This suit was brought by the plaintiff against Joseph Freeman, Inc., a user of a printing press which plaintiff alleges infringes its Wells and Hunter patent in suit.

Chandler & Price Co., the manufacturer of the printing press used by the defendant Freeman, which plaintiff alleges infringes its patent, obtained from one of the judges of this Court permission to intervene in such action.

The intervener, Chandler & Price Co., counter-claimed on the basis of the charge that plaintiff infringes the Root patent, owned by the intervener.

The defendant Freeman has no interest in this Root patent, and does not join in the counterclaim.

The counterclaim is not available to Freeman, and is made by the intervener alone.

As to the first motion, I am convinced that the intervener must take the suit as he finds it.

This principle is stated in 11 Encyclopedia of Pleading and Practice (pp. 509-510) as follows:

"5. Intervener Must Take Suit as he Finds it. An intervener in a suit between other parties must accept such suit as he finds it, and is bound by the record of the case at the time of his intervention. He cannot raise an issue as to whether the proceedings are regular, nor can be plead exceptions having for their object the dismissal of the ac- [fol. 42] tion. He cannot raise new issues in the suit, nor insist upon a change in the form of the proceedings. An intervener cannot exercise any rights which are limited to the parties to the action."

A note to Equity Rule 30 of Hopkins' Federal Equity Rules, 6th Ed., says:

"Defendant means original parties defendant and not intervening parties defendant; an intervener cannot seek affirmative relief that was not available to the original parties defendant." Allington v. Shevlin-Hixon Co., 2 F. (2d) 747, 749.

It has been held and I know of no decision to the contrary, that the right to file a cross-bill or counterclaim is limited to the defendants named in the bill, and does not extend to an intervener. Curran v. Charles Car Co., 32 F. 835; Atlas Underwear Co. v. Cooper Underwear Co., 210 F. 347; Leaver v. K. & L. Box & Lumber Co., 6 F. (2d) 666; De Sousa v. Crocker First Nat. Bank, 23 F. (2d) 118; Tretolite Co. v. Darby Petroleum Corporation, 5 F. Supp. 445; Whittaker v. Brictson Mfg. Co., 43 F. (2d) 485 at 490; Powell v. Leicester Mills, 92 Fed. 115.

In the Cyclopedia of Federal Procedure, Vol. 3, Ch. 12, Section 932, the rule is stated as follows:

"The range of activity of an intervener in the prosecution or defense of the interest he is permitted to assert is [fol. 43] necessarily as extensive as, but not greater than, that allowed the original parties to the suit. The interven-

tion does not enlarge the scope or vary the nature of the litigation, nor will the Court permit the intervener to file a pleading which would have that effect."

While the precise question presented here has not, so far as I can find, been ruled upon in this Circuit, the governing principle, however, has been applied here in Prince v. Childs Co., 23 F. (2d) 605, 607.

The intervening defendant cites Kessler v. Eldred, 206 U. S. 285, and General Electric Co. v. Marvel Co., 287 U. S. 430, both of which determine jurisdictional questions and are not in point.

The first motion is granted. Settle order on notice.

Marcus B. Campbell, U. S. D. J.

[fol. 44] IN UNITED STATES DISTRICT COURT

[Title omitted]

ORDER DISMISSING COUNTERCLAIM—Filed September 7, 1934

1. This cause having come on to be heard on plaintiff's motion to dismiss the counterclaim filed by Chandler & Price Co., Intervener, and counsel having been heard and briefs having been filed, it is upon due consideration,

Ordered, adjudged and decreed that the counterclaim filed herein by the intervener, Chandler & Price Co., be and same hereby is dismissed without prejudice.

ORDER ON PLAINTIFF'S MOTION TO VACATE ORDER ALLOWING INTERVENTION

2. Plaintiff's motion to vacate the order entered herein on June 30, 1934, allowing Chandler & Price Co. to intervene, having come on for hearing in the absence of Judge [fol. 45] Inch who entered the order, the said motion is respectfully referred to Judge Inch.

Marcus B. Campbell, United States District Judge.

IN UNITED STATES DISTRICT COURT, EASTERN DISTRICT OF NEW YORK

[Title omitted]

MOTION FOR STAY OF PROCEEDINGS—Filed September 21, 1934

The Chandler & Price Company, defendant herein, by John F. Ryan, its solicitor, moves that all further proceedings in this Court may be suspended and stayed until the final determination of the appeal taken by said defendant from the order and decree entered by this Court under date of September 7, 1934, dismissing said defendant's counter-claim theretofore filed in this cause and thereby refusing the injunction prayed for in said counter-claim.

As grounds for the foregoing motion, said defendant states:

1. As this Court is advised, by order entered under date of June 30, 1934, The Chandler & Price Company was [fol. 46] granted leave to intervene in this suit as a party defendant. Thereupon, under date of July 9, 1934, within the time for filing answer or other defense as last set by stipulated order of this Court, Joseph Freeman, Inc., the original defendant, and The Chandler & Price Company, thus added as a party defendant, filed their joint answer. Included in such answer, under the provisions of Equity Rule 30, was a set-off or counter-claim against the plaintiff charging infringement by the latter of United States Letters Patent No. 1,849,314, which is owned by defendant, The Chandler & Price Company.

2. The Root patent No. 1,849,314, upon which said counter-claim is based, relates to the same subject-matter as does the Wells & Hunter patent in the bill of complaint No. 1,363,200. Thus, said Root patent is for improvements to mechanism for transferring, i. e., feeding or delivering, sheets for printing presses, more particularly so-called platen printing presses, and said Wells & Hunter patent likewise relates to improvements in automatic feed and delivery mechanism for platen printing presses. The proofs which defendants, expect to take on the issues raised by the bill of complaint will be pertinent in substantial part

to the issues raised by said counter-claim and to sever the trial of these issues by requiring a separate suit to be brought on said Root patent will to a corresponding extent involve a duplication of time and expense.

3. Subsequently, upon motion of plaintiff, the aforesaid counter-claim of defendant, The Chandler & Price Company, was by order and decree of this Court, entered under [fol. 47] date of September 7, 1934, dismissed without prejudice.

4. No other or further proceedings have been had to date in this cause. No testimony has been taken by either party by deposition or otherwise; and the cause has not yet been set for trial.

5. As more fully set forth in the petition of The Chandler & Price Company for leave to intervene (see paragraph 4), as a result of which such leave was granted and petitioner made a party defendant by the aforesaid order of June 30, 1934, said The Chandler & Price Company is the real and Joseph Freeman, Inc., merely the nominal defendant, as evidenced by the correspondence interchanged between counsel for plaintiff and defendant prior to the filing of this suit and particularly by the fact that at the time of filing the suit, plaintiff's counsel furnished counsel for The Chandler & Price Company a copy of the bill of complaint as filed.

6. If a stay of proceedings is not granted and upon defendant's appeal the aforesaid order and decree dismissing its counter-claim should be reversed, a separate trial of the issues raised by said counter-claim will be necessary, requiring additional time of this Court and entailing additional expense to the parties, and particularly to the defendants, in contradistinction to trying all the issues raised by said original bill and counter-claim together.

The Chandler & Price Company, by John F. Ryan,
Its Solicitor.

New York, N. Y., September 21, 1934.

[fol. 48] In United States District Court, Eastern District of New York

[Title omitted]

Order Staying Trial—Filed September 29, 1934

This cause having come on to be heard on the motion of defendant-intervener, The Chandler & Price Company, to stay proceedings until the final determination of a proposed appeal from the Interlocutory Order and Decree entered in this cause on September 7, 1934, dismissing said defendant-intervener's counterclaim theretofore filed in this cause, it is therefore,

Ordered, adjudged and decreed that the trial of this action be stayed pending the determination of defendant-intervener's appeal from the order of September 7, 1934, dismissing the counterclaim, but that all other proceedings preliminary to trial shall remain unaffected by this stay, and further that if the said appeal shall not be prosecuted with all reasonable diligence this order shall be vacated on motion of the plaintiff.

Marcus B. Campbell, United States District Judge.

Dated September 29th, 1934.

Security Waived on the Stay.

Pennie, Davis, Marvin & Edmonds, Solicitors for Plaintiff.

[fol. 49] In United States District Court, Eastern District of New York

[Title omitted]

Petition for Appeal—Filed September 29, 1934

The Chandler & Price Company, defendant in the above entitled cause, being aggrieved by the interlocutory order and decree entered in this cause on September 7, 1934, dismissing defendant's counter-claim theretofore filed in this cause and thereby refusing the injunction prayed for in said counter-claim, hereby appeals from said order and decree to the United States Circuit Court of Appeals for the Second Circuit, for the reasons specified in Assignment of

Errors as filed herewith, and prays that its appeal be allowed and citation issued, as provided by law, and a transcript of the record and proceedings upon which said order is based, duly authenticated, be sent to the United States Circuit Court of Appeals for the Second Circuit.

The Chandler & Price Company, by John F. Ryan,
Its Solicitor.

[fol. 50] ALLOWANCE OF APPEAL

Appeal allowed September 29th, 1934.

Marcus B. Campbell, U. S. D. J.

IN UNITED STATES DISTRICT COURT, EASTERN DISTRICT OF NEW YORK

[Title omitted]

ASSIGNMENT OF ERRORS—Filed September 29, 1934

Now comes The Chandler & Price Company, defendant in the above entitled cause, and says that in the interlocutory order and decree filed in this cause on September 7, 1934, the Court erred in the following particulars, to-wit:

1. In dismissing defendant's counter-claim and thereby refusing the injunction prayed for therein.

[fol. 51] 2. In not allowing defendant to set up its counter-claim with prayer for injunction.

3. In holding that said defendant, after being granted leave to intervene in said suit as a party defendant, must take the suit as he finds it.

4. In holding that the right to file a cross-bill or counter-claim is limited to the defendants named in the bill and does not extend to an intervening defendant.

5. In not ruling that defendant herein was entitled to set up his counter-claim and prayer for injunction.

The Chandler & Price Company, by John F. Ryan,
Its Solicitor.

[fol. 52 & 53] Bond on appeal for $250.00 approved and filed Sept. 29, 1934, omitted in printing.

[fols. 54 & 55] Citation, in usual form, showing service on Pennie, Davis, Marvin & Edmonds, filed Oct. 2, 1934, omitted in printing.

[fol. 56] IN UNITED STATES DISTRICT COURT, EASTERN DISTRICT OF NEW YORK

[Title omitted]

PRÆCIPE—Filed Sept. 29, 1934

To the Clerk of the United States District Court for the Eastern District of New York:

SIR:

The defendant herein, The Chandler & Price Company, respectfully requests that you prepare a transcript of the following papers, orders and proceedings filed and had in this cause, for use on appeal to the United States Circuit Court of Appeals for the Second Circuit, to-wit:

1. Docket page showing record of entries made herein.
2. Bill of complaint.
3. Petition of The Chandler & Price Company for leave to intervene, including Exhibits 1 and 2 attached to said petition.

[fol. 57] 4. Memorandum opinion on petition for leave to intervene.

5. Order granting leave to intervene.
6. Answer, including set-off or counter-claim.
7. Motion to dismiss intervener's counter-claim and to vacate order allowing intervention.
8. Memorandum opinion on motion to dismiss intervener's counter-claim and to vacate order allowing intervention.
9. Order dismissing counter-claim, etc.
10. Petition for appeal, and Order allowing appeal.
11. Assignment of errors.

12. Motion staying proceedings.
13. Order staying trial.
14. Bond on appeal.
15. Citation.
16. Præcipe.

Respectfully, John F. Ryan, Solicitor for Defendants.

Service of the foregoing Præcipe acknowledged this 29th day of September, 1934.

Pennie, Davis, Marvin & Edmonds, Attorneys, and of Counsel for Plaintiff.

[fol. 58] In United States District Court, Eastern District of New York

[Title omitted]

Stipulation as to Transcript of Record

It is hereby stipulated and agreed, that the foregoing is a true copy of the transcript of the record of the said District Court in the above-entitled matter as agreed on by the parties.

Dated October —, 1934.

John F. Ryan, Attorney for Appellant. Pennie, Davis, Marvin & Edmonds, Attorneys for Plaintiff.

On reading the foregoing consent of the attorneys for the respective parties herein, it is ordered that the foregoing printed record be filed in lieu of the original papers for the purpose of certifying a record on appeal.

Dated October —, 1934.

U. S. D. J.

[fol. 59] Clerk's certificate to foregoing transcript omitted in printing.

[fol. 60] UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT, OCTOBER TERM, 1934

Argued Jan. 16, 1935. Decided Feb. 4, 1935

No. 219

BRANDTJEN & KLUGE, INC., Appellee,

v.

JOSEPH FREEMAN, INC., Appellee,

and

THE CHANDLER & PRICE COMPANY, Appellant

Before L. Hand, Swan, and Chase, Circuit Judges.

Appeal from the District Court of the United States for the Eastern District of New York

Appeal by an intervening defendant in a patent suit, from a decree of the District Court for the Eastern District of New York dismissing its counterclaim.

Wallace R. Lane, of Chicago, Ill., for appellant.
Dean S. Edmonds, of New York City, for appellee.

L. HAND, Circuit Judge:

The plaintiff sued the Freeman Company as a user and infringer of its patent for improvements in the automatic feed and delivery of platen printing presses. The Chandler & Price Company, which had made the infringing press and sold it to the Freeman Company, intervened as defendant, having taken over the defense of the suit. Thereafter it filed a counterclaim, alleging that the plaintiff was infringing a patent owned by itself for improvements in the sheet transferring mechanism of printing presses. It is to be assumed that a single press may, and does, embody the features claimed in both patents as an invention. The plaintiff moved to dismiss the counterclaim upon the ground that an intervener may not under the thirtieth Equity Rule (28 USCA § 723) inject into the main suit a controversy between the plaintiff and himself, to which the original de-

fendant is not a party. The judge so held and the intervener appealed.

If the plaintiff had sued the Chandler & Price Company originally, the thirtieth rule would have authorized the counterclaim. Leman v. Krentler-Arnold Co., 284 U. S. 448, 52 S. Ct. 238, 76 L. Ed. 389; General Electric Co. v. Marvel, etc., Co., 287 U. S. 430, 53 S. Ct. 202, 77 L. Ed. 408. The question remained open so long as it did because of a doubt whether the plaintiff by bringing suit in a forum prescribed in the defendant's interest, by such statutes for example as sections 48, 51, 52, 53 of the Judicial Code (28 USCA §§ 109, 112, 113, 114), surrendered his own corresponding privilege. In the end the defendant won for two reasons; he has himself a special interest in pressing the cross-suit in the same forum as the main suit; and it is fair to impose upon a plaintiff a surrender of his privilege to be sued elsewhere. The defendant's special interest in addition to the general desirability of settling all disputes at one time, is that he so avoids the necessity of seeking the plaintiff away from his own habitation or place of business, where the main suit has of necessity been brought. On the other hand the plaintiff presumably knows what other disputes are pending between him and the defendant, and by selecting him for attack, may be charged with the risk of [fol. 61] meeting a reprisal. Neither of these considerations apply when a party intervenes as defendant. It may indeed happen that the forum is one in which the intervener could himself be sued, and is therefore one presumptively suited to his convenience, but that is a mere chance. Normally there is no reason why he should not go where the statutes require him to go. On the other hand the plaintiff has not chosen him as an antagonist; on the contrary he has intruded himself into the dispute. It is not fair to charge the plaintiff with notice of such cross-suits as may be so forced upon him; he cannot be said to have accepted their hazard when he sued the original defendants.

It is of course true that at times the intervener is practically forced into the suit, as much as though the plaintiff sought him out and served him. Conceivably it might be desirable to give the court discretion in such cases to treat the situation as though the plaintiff had joined him in invitum. But there is no warrant for such a treatment of the rule as it stands, and, although the reasons have not

always been clear, those District Courts that have passed on the point, with one dubious exception, have uniformly dismissed such counterclaims. Curran v. St. Charles Car Co. (C. C.) 32 F. 835; Powell v. Leicester Mills (C. C.) 92 F. 115 (semble); Atlas Underwear Co. v. Cooper Underwear Co. (D. C.) 210 F. 347, 355; Allington v. Shevlin-Hixon Co. (D. C.) 2 F. (2d) 747, 749 (semble); Leaver v. K. & L. Box & Lumber Co. (D. C.) 6 F. (2d) 666; Borne Scrymser Co. v. Gaffney Mfg. Co. (D. C.) 5 F. Supp. 405 (semble), affirmed 68 F. (2d) 104 (C. C. A. 4). The exception is U. S. Expansion Bolt Co. v. H. G. Kroncke Hardware Co. (D. C.) 216 F. 186, affirmed 234 F. 868 (C. C. A. 7), where the actual decision was flatly contra. However, both courts were not there really concerned with the question now before us, but with how far a plaintiff ever abandons his privilege when he sues; a matter which the Supreme Court had not then settled. Mr. Lane has furnished us with copies of the brief on the appeal from which it does indeed appear that the argument depended in part upon the fact that the defendants were interveners, but it would be wholly gratuitous to impute to the Circuit Court of Appeals any intention to decide the point.

It is true that the language of the rule will bear the opposite construction; "defendant" is apt enough to include "intervening defendant." It is also true that the thirty-seventh rule (28 USCA § 723) does not stand in the way. A counterclaim "recognizes" the "propriety" of the bill; presupposes it indeed, since without the bill the intervener could acquire no jurisdiction over the plaintiff. Again a counterclaim is "subordinate" to the bill; both may go to decree regardless of each other. A patentee does not get from his patent the right to make, vend and use, but only the right to stop others. Crown Die & Tool Co. v. Nye Tool & Machine Works, 261 U. S. 24, 34, 35, 43 S. Ct. 254, 67 L. Ed. 516. An injunction upon the defendant's patent does not therefore trench upon his own patent. Thus in the end our choice depends upon what we deem to be the balance of advantage. We cannot see that it dips clearly enough to the defendant's side to disregard the decisions we have cited. Besides, there is something to be said for the notion that a man should be able to keep his suit in his own control, unless good reason be shown why he should not. Although it is in general desirable that as much litiga-

tion as possible should be cleared up at once, other interests at times may prevail. Having to choose here between an interpretation which will let in all such counterclaims or shut them all out, we choose the second.

Decree affirmed.

[fol. 62] NNITED STATES CIRCHIT COURT OF APPEALS, SECOND CIRCUIT

At a Stated Term of the United States Circuit Court of Appeals, in and for the Second Circuit, held at the Court Rooms in the Post Office Building in the City of New York, on the 11th day of February, one thousand nine hundred and thirty-five.

Present: Hon. Learned Hand, Hon. Thomas W. Swan, Hon. Harrie B. Chase, Circuit Judges.

BRANDTJEN & KLUGE, INC., Plaintiff-Appellee,

vs.

JOSEPH FREEMAN, INC., Defendant-Appellee,

and

THE CHANDLER & PRICE COMPANY, Defendant-Appellant

Appeal from the District Court of the United States for the Eastern District of New York.

This cause came on to be heard on the transcript of record from the District Court of the United States for the Eastern District of New York, and was argued by counsel.

On consideration whereof, it is now hereby ordered, adjudged, and decreed that the decree of said District Court be and it hereby is affirmed with costs.

It is further ordered that a Mandate issue to the said District Court in accordance with this decree.

Wm. Parkin, Clerk.

[fol. 63] [Endorsed:] United States Circuit Court of Appeals, Second Circuit. Brandtjen & Kluge, Inc., vs. Joseph Freeman, Inc., et al. Order for Mandate. United States

Circuit Court of Appeals, Second Circuit. Filed Feb. 11, 1935. William Parkin, Clerk.

[fol. 64] United States Circuit Court of Appeals, Second Circuit. Filed Feb. 19, 1935. William Parkin, Clerk.

UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT

Appeal No. 219

BRANDTJEN & KLUGE, INC., Plaintiff-Appellee,

vs.

JOSEPH FREEMAN, INC., Defendant-Appellee,

and

THE CHANDLER & PRICE COMPANY, Defendant-Appellant

PETITION FOR REHEARING

Wallace R. Lane, John F. Oberlin, John F. Ryan, Solicitors and of Counsel for Appellant.

[fol. 65] Index

	PAGE
Petition for Rehearing	1
Brief in Support of Petition	7
The Opinion Seems Inconsistent with the Language of Rule 30 and Decisions of the Supreme Court Interpreting It	7
The Counterclaim Presents a Controversy Within the "Must" Clause of Rule 30	11
Analysis of the cases cited by the Court on the side of its holding indicates that they did not merit such reliance	12
The Opinion Indicates a Misunderstanding of the Expansion Bolt Case	16
The Opinion Expresses Views Inconsistent With the Court's Holding	17
The Question Involved is One of Public as Well as Private Interest	18

[fol. 66] Authorities Cited

	PAGE
Allington et al v. Shevlin-Hixon Co. (D. Del.) 2 F. (2d) 747	14, 15
American Mills Co. v. American Surety Co., 260 U. S. 360	1, 8
Atlas Underwear Co. v. Cooper Underwear Co., (E. D. Wis.) 210 Fed. 347	13, 15
Borne Scrymser Co. v. Gaffney Mfg. Co., 5 F. Supp. 405	15
Chester v. Life Association of America (W. D. Tenn.) 4 Fed. 487 (1880)	14
Curran et al v. St. Charles Car Co., (E. D. Mo.) 32 Fed. 835 (1887)	12, 15
Expansion Bolt Co. v. Kroncke Hdw. Co. (E. D. Wis.) 216 Fed. 186, aff'd. (C. C. A. 7) 23. Fed. 868	3, 16
General Electric Co. v. Marvel, 287 U. S. 430, 432	1
Kessler v. Eldred, 206 U. S. 285	14
Leaver v. K. & L. Box & Lumber Co., (N. D. Cal.) 6 F. (2d) 666	15
Leman v. Krentler-Arnold Co., 284 U. S. 448	1
Marconi v. National, 206 Fed. 295	9
Moore v. N. Y. Cotton Exchange, 270 U. S. 593, 609	2, 12
Powell et al v. Leicester Mills (E. D. Pa.) 92 Fed. 115 (1899)	13
Wire Wheel Corporation of America v. Budd Wheel Co., 288 Fed. 308, C. C. A. 4	8

[fol. 67] United States Circuit Court of Appeals for the Second Circuit

Brandtjen & Kluge, Inc., Plaintiff-Appellee,

vs.

Joseph Freeman, Inc., Defendant-Appellee,

and

The Chandler & Price Company, Defendant-Appellant

Petition for Rehearing

Appellant, The Chandler & Price Company, respectfully petitions this court for a rehearing herein and for reasons submits that the opinion fails to recognize and give effect

to controlling decisions of the Supreme Court and incorrectly applied the law in the following particulars as shown by its opinion:

1. The opinion imports into Equity Rule 30 a limitation inconsistent with the express language of the rule and its purpose and scope as explained by the Supreme Court in Lemon v. Krentler-Arnold Co., 284 U. S. 448; General Electric Co. v. Marvel, 287 U. S. 430, 432, and American Mills Co. v. American Surety Co., 260 U. S. 360.

Appellant, having been admitted and become a defendant through intervention, should be treated as a defendant for [fol. 68] all purposes of that rule. The discretionary provision of Rule 37 was served when the petition to intervene was granted. There is no authority in the Equity Rules or elsewhere for transferring or importing it into Rule 30 by making a distinction between an original defendant and a defendant who entered by intervention where none is indicated.

If there were provision in Rule 30 for the exercise of discretion as the court, in effect, holds, it should be in appellant's favor to permit the trial of all the issues between the parties and the entry of a "single decree" determining the merits of the cause of action alleged in the complaint and the counterclaim.

2. The opinion indicates a failure to appreciate the true scope and character of the controversy and consequent misapplication of Equity Rule 30.

The court recognized

"that a single press may, and does, embody the features claimed in both patents as an invention."

If that be so, a single transaction may and does embrace both patents. The case, therefore, is within the "must" clause of Rule 30, which does not except a defendant merely because he entered by the route of intervention. Moore v. N. Y. Cotton Exchange, 270 U. S. 593, 609 et seq.

The real controversy, indeed, has even broader aspects. It is a trade controversy. Appellee and appellant are competitors. By suing a user thereof appellee has questioned appellant's right to make, sell and use the invention of its patent and the correlative right to exclude others from so doing, in a concrete instance. If appellant is to protect

[fol. 69] that right, it cannot sit back and indulge the sniping tactics of a competitor exemplified in the bill of complaint. It has no alternative but to defend the suit and promptly assert its rights. Appellant should be regarded as in the case in invitum. That the controversy assumes greater proportions than appellee intended and embraces two patents instead of one ought not to be a controlling factor necessitating the dismissal of the counterclaim.

Appellant, through its counterclaim, merely seeks to bring the controversy in these broader aspects before the court for settlement in a single decree and in a jurisdiction of appellee's own choosing. This course seems to be clearly within the scope and purpose of rule 30 as interpreted by the Supreme Court in the cases above cited.

3. The "balance of advantage" ought not to lie in any mere count of cases of uncertain reasoning and harking back to doctrines discarded by the adoption of the Federal Equity Rules in 1912. Of the six cases cited in the opinion on the side of the court's holding only one can fairly be said to be pertinent in fact and that reverts to the obsolete practice of the cross bill. Two antedate the adoption of the Equity Rules and reflect an archaic doctrine. The others contain only dicta which seem provincial.

4. The court appears to have misunderstood the opinions of the District Court and the Circuit Court of Appeals for the Seventh Circuit in Expansion Bolt Co. v. Kroncke Hdw. Co. (W. D. Wis.) 216 Fed. 186, aff'd (C. C. A. 7) 234 Fed. 868, to which it refers as a "dubious exception." Not only was the question here present argued and submitted in that [fol. 70] case, as this court is aware, but the opinions of both courts in that case plainly proceed on the assumption that the right of an intervening defendant to file a counterclaim is as broad as that of an original defendant and is not limited to a counterclaim which would have been available to the original defendant if there had been no intervention. Indeed, the conclusion is inescapable that in the Expansion Bolt case both courts were impressed with the obviousness of that interpretation of Rule 30 which would permit matters of the character presented by the counterclaim as well as by the bill of complaint in that case—and in the instant case—

"to be all disposed of in one suit as they relate to questions very closely connected together."

5. The opinion is inconsistent in premise and conclusion in important respects:

It admits the susceptibility of Rule 30 to the interpretation for which appellant contends and that so interpreted appellant's counterclaim is proper; it admits the desirability of importing into the rule the saving of an exercise of discretion by the court in cases where—

"The intervener is practically forced into the suit,"

as here, but states that

"there is no warrant for such a treatment of the Rule as it stands;"

notwithstanding,

"upon what we deem to be the balance of advantage,"

[fol. 71] it does in fact interpret the rule adversely to appellant's contention by importing into the rule a qualification distinguishing a defendant who entered by intervention from an original defendant and, in effect, the saving of an exercise of discretion by the court to limit defendant who has entered by the route of intervention to a counterclaim available to an original defendant, though there be no language in the rule susceptible of such interpretation. Thus the court in effect does what it disapproves as unwarranted.

6. The issue here is more than one of mere private rights but going as it does to an important question of practice, involves the larger question of public rights. It is a matter of public policy of more than passing moment how a trade controversy of the character here presented shall be dealt with; whether narrowly and piecemeal, with perhaps a too tender regard for the attacking litigant, or liberally with a view to expeditious, complete settlement. This cannot be too carefully considered in the establishment of a precedent in this circuit on the point presented.

Wherefore, appellant respectfully requests a careful reading and consideration of this petition and brief in support thereof by each member of the court who sat before,

and prays a rehearing to the end that justice may be done between the parties as well as in the interest of the public;

Appellant also prays that in the event the rehearing sought is not allowed, an order may be entered staying the issue of Mandate and all proceedings herein so as to give appellant time and opportunity to prepare and file in the [fol. 72] Supreme Court of the United States, a petition for writ of certiorari.

Respectfully submitted, The Chandler & Price Company, Defendant-Appellant, by Wallace R. Lane, Its Attorney.

We hereby certify that in our opinion the foregoing petition is well taken in law and in fact, is filed in good faith and should be granted.

Wallace R. Lane, John F. Oberlin, John F. Ryan, Solicitors and of Counsel for Appellant.

[fol. 73] UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT

BRANDTJEN & KLUGE, INC., Appellee,

against

JOSEPH FREEMAN, INC., Appellee

and

THE CHANDLER & PRICE COMPANY, Appellant.

Before L. Hand, Swan and Chase, Circuit Judges.

ON PETITION FOR REHEARING

Wallace R. Lane, John F. Oberlin and John F. Ryan for the petition.

PER CURIAM: Petition denied.

——, U. S. Circuit Judges.

Filed February 25, 1935.

[fol. 74] UNITED STATES CIRCUIT COURT OF APPEALS, SECOND CIRCUIT

At a Stated Term of the United States Circuit Court of Appeals, in and for the Second Circuit, held at the Court

Rooms in the Post Office Building in the City of New York, on the 25th day of February, one thousand nine hundred and thirty-five.

Present: Hon. Learned Hand, Hon. Thomas W. Swan, Hon. Harrie B. Chase, Circuit Judges.

BRANDTJEN & KLUGE, INC., Plaintiff-Appellee,

vs.

JOSEPH FREEMAN, INC., Defendant-Appellee
THE CHANDLER & PRICE COMPANY, Defendant-Appellant

A petition for a rehearing having been filed herein by counsel for the appellant;

Upon consideration thereof it is

Ordered that said petition be and hereby is denied.

Wm. Parkin, Clerk.

[fol. 75] [Endorsed:] United States Circuit Court of Appeals, Second Circuit. Brandtjen & Kluge, Inc., vs. Joseph Freeman, Inc., et al. Order. United States Circuit Court of Appeals, Second Circuit. Filed Feb. 25, 1935. William Parkin, Clerk.

[fol. 76] UNITED STATES OF AMERICA, SOUTHERN DISTRICT OF NEW YORK

I, William Parkin, Clerk of the United States Circuit Court of Appeals for the Second Circuit, do hereby certify that the foregoing pages, numbered from 1 to 75, inclusive, contain a true and complete transcript of the record and proceedings had in said Court, in the case of Brandtjen & Kluge, Inc., Plaintiff-Appellee, against Joseph Freeman, Inc., Defendant-Appellee, The Chandler & Price Company, Defendant-Appellant, as the same remain of record and on file in my office.

In testimony whereof, I have caused the seal of the said Court to be hereunto affixed, at the City of New York, in the Southern District of New York, in the Second Circuit, this 7th day of March, in the year of our Lord one thousand nine hundred and thirty-five, and of the Independence of the said United States the one hundred and fifty-ninth.

Wm. Parkin, Clerk. (Seal United States Circuit Court of Appeals, Second Circuit.)

(6084-C)

[fol. 77] SUPREME COURT OF THE UNITED STATES

ORDER ALLOWING CERTIORARI—Filed April 29, 1935

The petition herein for a writ of certiorari to the United States Circuit Court of Appeals for the Second Circuit is granted. And it is further ordered that the duly certified copy of the transcript of the proceedings below which accompanied the petition shall be treated as though filed in response to such writ.

Endorsed on cover: File No. 39,437. U. S. Circuit Court of Appeals, Second Circuit. Term No. 11. The Chandler & Price Company, Petitioner, vs. Brandtjen & Kluge, Inc., and Joseph Freeman, Inc. Petition for a writ of certiorari and exhibit thereto. Filed March 25, 1935. File No. 11 O. T. 1935.

(6454-C)

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MAR 25 1935
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CLERK

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IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, A. D. 1934.

No. 811

THE CHANDLER & PRICE COMPANY,
Petitioner,

vs.

BRANDTJEN & KLUGE, INC., and JOSEPH FREEMAN, INC.,
Respondents.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT

AND

BRIEF IN SUPPORT THEREOF

WALLACE R. LANE,
JOHN F. OBERLIN,
CLARENCE J. LOFTUS,
Counsel for Petitioner.

Eastman Bros., Inc., Law Printers, 542 S. Dearborn St., Chicago.

INDEX.

	Page
Petition	1
I. Statement	1
II. Important Questions Involved	4
III. Reasons for Granting the Writ	5
Brief in Support of Petition for Writ of Certiorari to the United States Circuit Court of Appeals for the Second Circuit	9
Jurisdiction	9
Statement of the Case	9
Specification of Errors to be Urged	13
Summary of Argument	13
Argument	15
Point 1. The Decision of the Circuit Court of Appeals for the Seventh Circuit in the Expansion Bolt Case is in Direct Conflict With the Decision of the Circuit Court of Appeals in this Case, as the Latter Court Admits in Its Opinion	15
Point II. Analysis of the Cases Cited by the Court Below on the Side of Its Holding Indicates That They Do Not in Fact Warrant It	21
Point III. The Circuit Court of Appeals Determined an Important Question of Practice Adversely to the Public Interest	25
Conclusion	31
Appendix.	
Equity Rules 26, 30	32
Equity Rules 31, 37	33
Brief and Argument on Behalf of U. S. Expansion Bolt Co. referred to in Opinion of Circuit Court of Appeals	35

Table of Cases.

Page

American Mills Co. *v.* American Surety Co., 260 U. S. 360 ..... 6, 14, 18
Aetna Casualty & Surety Co. *v.* American Surety Co., 64 F. (2d) 577, 582 ..... 15, 25
Allington *et al. v.* Shevlin-Hixon Co., 2 F. (2d) 747 ..... 22, 23
American Brake Shoe Co. *v.* N. Y. Rys., 293 Fed. 612 29
Atlas Underwear Co. *v.* Cooper Underwear Co., 210 Fed. 347 ..... 22, 23
Automotive Products Corp. *v.* Wolverine V. & S. Co., 15 F. (2d) 745 30
Borne Scrymser Co. *v.* Gaffney Mfg. Co., 5 Supp. 405 24
Chester *v.* Life Association of America, 4 Fed. 487 23
Curran *et al. v.* St. Charles Car Co., 32 Fed. 835 21
General Electric Co. *v.* Marvel, 287 U. S. 430, 432, ... 6, 14, 18, 31
Gulf Smokeless Coal Co. *v.* Sutton, Steele & Steele, 35 F. (2d) 433 29
Hurn *v.* Oursler, 289 U. S. 238 31
Leary *v.* U. S. 224 U. S. 567 ..... 15, 25
Leaver *et al. v.* K. & L. Box & Lumber Co., 6 F. (2d) 667 ..... 5, 13, 20
Marconi Co. *v.* National Co., 206 Fed. 295 28
Moore *v.* New York Cotton Exchange, 270 U. S. 593, 610 ..... 6, 14, 27, 31
Powell *et al. v.* Leicester Mills, 92 Fed. 115 22
U. S. Expansion Bolt Co. *v.* H. G. Kroncke Hdw. Co., 216 Fed. 186 ..... 5, 6, 13, 15, 16, 17, 20
United States *v.* Boynton, 297 Fed. 261, 268 27
Wire Wheel Corp. of Am. *v.* Budd Wheel Co., 288 Fed. 308 18

Opinions of the Courts Below.

The opinion of the Circuit Court of Appeals (R. 60-63) is officially reported in — F. (2d) — .

The opinion of the District Court (R. 40-43) is officially reported in — F. Supp. — .

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, A. D. 1934.

No.

THE CHANDLER & PRICE COMPANY,
Petitioner,

vs.

BRANDTJEN & KLUGE, INC., and JOSEPH FREEMAN, INC.,
Respondents.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT.

To the Honorable Charles E. Hughes, Chief Justice of the United States, and the Associate Justices of the Supreme Court of the United States.

Your Petitioner respectfully shows:

I.

This controversy has solely to do with the proper interpretation and application of Federal Equity Rules 30 and 37 and their relation to each other in respect to a counterclaim filed by an intervening defendant, concerning which there is a direct conflict between the decisions of the Court of Appeals of the Second and Seventh Circuits, and between different decisions of the District Court for the Northern District of California.

Respondent, Brandtjen & Kluge, Inc., filed a bill of complaint April 30, 1934, against Joseph Freeman, Inc., of Brooklyn, New York, in the United States District Court for the Eastern District of New York, charging infringement of United States Letters Patent No. 1,363,200, dated December 21, 1920, on account of the use of a certain automatic platen printing press (R. 7), which it purchased from **Petitioner,** The Chandler & Price Company, of Cleveland, Ohio, who manufactured it (R. 10).

On June 22, 1934, Petitioner, with the consent and approval of defendant (R. 16), petitioned for leave—

> "to intervene as a defendant with leave to file an answer or other defense and for such other and further relief as to the court seems just,"

on account of its great interest in the results of the controversy and because the defendant was

> "merely a nominal defendant and has not sufficient interest in the result of this suit to properly defend the same on its own account." (R. 14.)

After hearing, the District Court (Judge Inch) ordered—

> "that the said The Chandler & Price Company be and is hereby granted leave to intervene in said suit *as a party defendant*" (R. 31)

and stated in his opinion that said company will—

> "be bound by the decree in this suit."

July 9, 1934, Petitioner and Joseph Freeman, Inc. (original defendant), joined in and signed an answer, denying validity and infringement of the patent in suit. As a part of the answer, Petitioner set up a counterclaim charging Respondent with infringing another

patent solely owned by it. The patent sued upon by respondent and the one asserted against it by Petitioner relate to the same subject matter (R. 46) and—

> "a single press may and does embody the features claimed in both patents as an invention." (R. 60.)

July 20, 1934, Respondent moved to dismiss the counterclaim, asserting that the intervening defendant had no right to file it and that it would result in confusing and delaying the original cause of action. It also moved to vacate Judge Inch's order permitting Petitioner to intervene *as a defendant.*

The District Court (Judge Campbell) sustained Respondent's motion to dismiss the counterclaim (R. 40-43) and decreed the dismissal without prejudice (R. 44). Judge Campbell referred the motion to vacate Judge Inch's order permitting intervention to that judge, but plaintiff did not again press this motion, and Petitioner still remains in the case as a defendant by virtue of Judge Inch's order of June 30, 1934.

Petitioner appealed to the Court of Appeals of the Second Circuit from the decree dismissing the counterclaim. This decree was affirmed on February 4, 1935 (R. 63). On February 25, 1935, the Court of Appeals denied a petition for rehearing.

Both the District Court and the Court of Appeals held that as the counterclaim introduced an issue not available to the original defendant, it could not be set up by the intervening defendant under Equity Rule 30. The Court of Appeals, however, in its opinion stated—

> "It is true that the language of the Rule will bear the opposite construction; 'defendant' is apt enough to include 'intervening defendant.' It is also true that the Thirty-seventh Rule does not stand in the way."

"Having to choose here between an interpretation which will let in all such counterclaims or shut them all out, we choose the second."

Petitioner contends that when the trial court exercised its discretion and permitted it to intervene *as a defendant* under Equity Rule 37, and be bound by the decree in this suit, it became *a defendant* entitled to assert a counterclaim relating to the same subject-matter, under Equity Rule 30.

As Equity Rule 30 makes no distinction between an original defendant and a defendant who has been permitted to intervene, Petitioner's counterclaim is a proper one.

II.

Important Questions Involved.

The determination of this controversy involves the following questions:

1. Are the provisions of Federal Equity Rule 30 relating to counterclaims restricted to counterclaims which *must* or *may* be pled by an original defendant in contradistinction to one who has been permitted to intervene as and has been made a *defendant* by order of court under Equity Rule 37?

2. Where the user of a single device has been sued in equity for infringement of a patent and the manufacturer thereof has, with leave of court, under Equity Rule 37, intervened *as a defendant*, and assumed the entire defense to protect its interests, is such manufacturer a *defendant* under Equity Rule 30 which states that the answer—

"**must** state in short and simple form any counterclaim arising out of the transaction which is the subject matter of the suit"

and

"may without cross bill set up any set-off or counterclaim against plaintiff which may be the subject matter of an independent suit in equity against him"?

3. Where the user of a single device has been sued in equity for infringement of a patent and the manufacturer thereof has been permitted, under Equity Rule 37, to intervene and has intervened as a defendant, and assumed the entire defense in order to protect its interests, may or must such defendant manufacturer assert in its answer, under Equity Rule 30, a counterclaim which it has against plaintiff for infringement of a different patent owned by such defendant relating to the same subject-matter?

III.

Reasons for Granting the Writ.

1. The decision of the Court of Appeals of the Second Circuit in this case is in direct conflict with and "flatly contra" to the decision of the District Court of Wisconsin and the Court of Appeals of the Seventh Circuit in *U. S. Expansion Bolt Co.* v. *H. G. Kroncke Hdw. Co.*, 216 Fed. 186, affirmed 234 Fed. 868, as to the interpretation and application of Federal Equity Rules 30 and 37.

Judges in the Northern District of California have been of two minds with respect to the interpretation of these two rules, as shown by the statement of Judge Kerrigan in *Leaver et al.* v. *K. & L. Box & Lumber Co.*, 6 F. (2d) 667, where he *denied* the motion for leave to intervene with the statement—

"This presents the same question which was lately raised in the case of *Leaver et al. v. Fox*, in this court, where the same motion, made on exactly similar facts, was *granted*."

2. Whenever a conflict arises between different circuits concerning the proper interpretation and application of any of the Federal Equity Rules, promulgated by this Court, public interest requires that this Court settle that conflict promptly, and thus relieve the lower courts and litigants of burdens such as those resulting from the differences of opinion concerning Federal Equity Rule 30 (more than one hundred reported cases, see 46 Harvard Law Review 638; 35 Harvard Law Review 276) until its scope and purpose was defined by this court in—

American Mills Co. v. *American Surety Co.*, 260 U. S. 360.

Moore v. *New York Cotton Exchange*, 270 U. S. 593, 610.

Leman v. *Krentler-Arnold Co.*, 284 U. S. 448.

General Electric Co. v. *Marvel*, 287 U. S. 430, 432.

3. As Federal Equity Rule 30 makes no distinction between an original defendant and one who has been permitted to intervene as and has been made a defendant, by order of court under Equity Rule 37, with respect to what may or must be set up in the answer by counterclaim, and as the Court of Appeals of the Second Circuit shows that the use of the word "defendant" in Equity Rule 30—

> "is apt enough to include an intervening defendant"

and that—

> "the Thirty-seventh Rule does not stand in the way,"

it should have allowed the counterclaim to stand instead of dismissing it and made its decision consistent with the decision of the Court of Appeals of the Seventh Circuit in the *Expansion Bolt* case, and with the

decisions of this Court referred to in the preceding paragraph.

4. The right of litigants to have all controversial matters settled promptly in a single litigation as contemplated by Equity Rules 30 and 37 is a matter of such public interest as to call for review by this Court of the decision below.

IV.

WHEREFORE, your petitioner prays that a writ of certiorari issue under the seal of this Court, directed to the United States Circuit Court of Appeals for the Second Circuit, commanding the said court to certify and send to this Court a full and complete transcript of the record and the proceedings of the said United States Circuit Court of Appeals for the Second Circuit had in the case numbered and entitled on its docket No. 219, *Brandtjen & Kluge, Inc.*, plaintiff-appellee, *v. Joseph Freeman, Inc.*, defendant-appellee and *The Chandler & Price Company*, defendant-appellant, to the end that this cause may be reviewed and determined by this Court as provided for by the statutes of the United States; and that the judgment herein of said United States Circuit Court of Appeals for the Second Circuit be reversed by this Court, and the cause remanded to that court with directions to reverse the decree of the District Court granting plaintiff's motion to dismiss the counterclaim, and to vacate such decree, and for such further relief as this Court may deem proper.

Dated this 23rd day of March, 1935.

WALLACE R. LANE,
JOHN F. OBERLIN,
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BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT.

Jurisdiction.

Petitioner would invoke the jurisdiction of this court under Section 240 (a) of the Judicial Code as amended by the Act of February 13, 1925 (U. S. C. Tit. 28, Sec. 347) to review the decree of the Circuit Court of Appeals entered February 4, 1935 (R. 63), affirming a decree of the District Court (E. D., N. Y.) dismissing a counterclaim filed by petitioner; order denying petition for rehearing entered February 25, 1935 (R. 69-70).

The petition for certiorari is presented within three months from and after the denial of petition for rehearing.

Statement of the Case.

The counterclaim dismissed by the decree of the District Court, affirmed by the decree of which review is sought, charged plaintiff suing in equity for patent infringement with acts infringing a patent owned by petitioner and relating to the same subject-matter as the patent of the bill (R. 32-37, 46). As the court below said in its opinion (R. 60):

> "It is to be assumed that a single press may, and does, embody the features claimed in both patents as an invention."

This counterclaim, which admittedly is *"in subordination to, and in recognition of the propriety of the*

main proceeding" (R. 62), was set forth in a joint answer filed by petitioner (manufacturer of the device complained of in the bill (R. 10), who intervened as a defendant with leave of court (R. 21) and assumed the entire defense) and the defendant named in the bill. Usual defenses of invalidity and non-infringement of the patent of the bill were also set forth in that answer.

The petition upon which petitioner was granted leave to intervene as a party defendant (duly sworn to by the president of petitioner and not denied) set forth (R. 9) that petitioner was the manufacturer of the device complained of in the bill of complaint, namely, a certain automatic platen printing press, and had sold it to the defendant; that subsequently to placing such device on the market petitioner had on a number of occasions been advised by customers of threats made by respondent, either directly or indirectly, that suit for infringement would be brought against them if they purchased or used such device with the result that petitioner had in a number of instances given bonds to purchasers of such devices; that the notice of infringement sent to defendant preliminary to the filing of such bill was referred to petitioner whose counsel inquired of respondent's counsel as to whether this notice was given merely as prelude to bringing suit, after having selected the Eastern District of New York as the preferred tribunal rather than bringing suit directly against petitioner in the Northern District of Ohio, and in reply was informed by counsel for respondent by letter of April 10, 1934, that decision had been reached to file suit against defendant and adding:

> "The present condition of the calendar of the District Court of Brooklyn indicates that a suit for patent infringement can be reached for trial there at an earlier date than in most other districts, and

> that was a factor which influenced us in concluding to file suit in Brooklyn;"

that in accordance with the promise of such letter respondent's counsel, under date of May 4, 1934, served on petitioner's counsel a copy of the bill of complaint as filed that day; that respondent threatened to bring suits against other users of said machines, thereby greatly injuring petitioner's business and unnecessarily harassing its customers; that respondent had never sued petitioner charging it with infringing the patent of the bill of complaint, although petitioner's device had been exhibited to respondent's counsel and with respondent's knowledge was marketed throughout the United States long before the filing of the bill; that the defendant

> "is merely a nominal defendant and has not sufficient interest in the result of the suit to properly defend the same on its own account;"

and that petitioner's intervention in this suit was necessary to the protection of its interests.

The grounds set forth for dismissal of the counterclaim were (R. 1, 38):

> (*a*) The intervener is without right to file a counterclaim for an independent cause of action to which the defendant, Joseph Freeman, Inc., is a stranger;
>
> (*b*) The counterclaim and proceedings thereon would confuse and delay the suit on the cause of action set forth in the bill of complaint.

The counterclaim was dismissed because, in the opinion of both courts, it introduced an issue not available to the original defendant and could not, therefore, be asserted under Equity Rule 30, which reads in part:

"The defendant by his answer shall set out in short and simple terms his defense to each claim asserted in the bill, . . . The answer may state as many defenses, in the alternative, regardless of consistency, as the defendant deems essential to his defense.

"The answer *must state* in short and simple form *any counterclaim arising out of the transaction which is the subject-matter of the suit, and may, without cross bill, set up any set-off or counterclaim against the plaintiff which might be the subject of an independent suit in equity against him,** and such set-off or counterclaim, so set up, shall have the same effect as a cross-suit, so as to enable the court to pronounce a final decree in the same suit on both the original and the cross-claims.

"When in the determination of a counterclaim complete relief can not be granted without the presence of parties other than those to the bill, the court shall order them to be brought in as defendants if they are subject to its jurisdiction. (As amended May 4, 1925)."

Petitioner contends (assignment of errors below, R. 49, 50) that it rather than the original defendant is the real party in interest in this suit; that it became a defendant within the meaning of Equity Rule 30 by virtue of the proceedings on its petition for leave to intervene under Equity Rule 37 and the filing of the answer; that it will, therefore, be bound by the decree in this suit; and that further, as Equity Rule 30 makes no distinction between a defendant named in the bill and one who became a defendant by intervention with leave of court, the counterclaim set forth in the answer should be permitted so that the entire controversy between the real parties in interest can be settled in a single suit as contemplated by Equity Rules 30 and 37.

* Italics ours. This and other Equity Rules cited are printed in full in Appendix, infra, p. 32.

Specification of Errors to be Urged.

The Circuit Court of Appeals erred in the decision complained of:

1. In affirming the decree of the District Court dismissing the counterclaim;

2. In failing to reverse the decree of the District Court dismissing the counterclaim and to direct that court to enter an order vacating such decree and denying plaintiff's motion to dismiss the counterclaim.

3. In misinterpreting and misapplying Federal Equity Rule 30, holding that petitioner was not entitled to set up the counterclaim of the answer.

Summary of Argument.

The decision of the Circuit Court of Appeals conflicts with the decision of the Circuit Court of Appeals for the Seventh Circuit upon similar facts in *U. S. Expansion Bolt Co.* v. *H. G. Kroncke Co.*, 234 Fed. 868, as to the interpretation and application of Federal Equity Rules 30 and 37, and permitting a counterclaim such as petitioner seeks to assert here. This is admitted in the opinion of the former court. The United States District Court for the Northern District of California has also been of two minds as to the interpretation of these rules as indicated in *Leaver* v. *K. & L. Box & Lumber Co.*, 6 F. (2d) 666, 667. Such conflicts among the lower courts as to the interpretation of these rules calls for the review by this court of the decree below.

Rejecting the precedent of the *Expansion Bolt* Case, the court below, upon a so-called "balance of advan-

tage," adopted a conflicting view (mostly dicta) of a group of cases based largely upon reasoning applicable only before the adoption of the present Federal Equity Rules, that the counterclaim introduced an issue not available to the original defendant and could not, therefore, be set up under Equity Rule 30; notwithstanding its recognition that the word "defendant" in that rule (R. 62)

> "is apt enough to include an intervening defendant"

and that

> "the Thirty-seventh Rule does not stand in the way",

and repeated liberal interpretation of both rules by this court.

This holding, in effect, limits the scope of Equity Rule 30 by importing into it a distinction between a *defendant* permitted to intervene by order of court and an *original defendant* and the saving of an exercise of discretion by the court to restrict the former to a counterclaim available to the latter. Such distinction is not expressed in the rule and is inconsistent with its scope and purpose as defined by this court in *American Mills Co.* v. *American Surety Co.*, 260 U. S. 360; *Moore* v. *New York Cotton Exchange*, 270 U. S. 593, 610; *Leman* v. *Krentler-Arnold Co.*, 284 U. S. 448; *General Electric Co.* v. *Marvel*, 287 U. S. 430. Compare Equity Rule 31. The decision thus adds to the confusion already existing among Circuit Courts of Appeals and District Courts of the United States as to the interpretation of the rule on this point. It should be reviewed and settled by this court.

The interpretation of Equity Rule 30 upon which the decision of the court below proceeds is incompatible

with public interest for it would impede the speedy and complete determination of the rights of the real parties in interest in a suit in equity, *e. g.*, in a trade controversy of the character here presented where the bill of complaint presents but one phase of the matter in controversy and petitioner intervened to protect its trade in self-defense, so to speak, to present the broader aspects of the matter and is in reality a defendant *in invitum*. See *Leary* v. *United States*, 224 U. S. 567, 574, 576, and *Aetna Casualty & Surety Co.* v. *American Surety Co.* (C. C. A. 4), 64 F. (2d) 577, 582, recognizing an absolute right of interventioin on the part of one having a direct and immediate interest in the subject of the suit.

Prompt settlement of doubt as to the meaning of the Equity Rules, and particularly Rule 30, evidenced by the mounting volume of dicta in cases cited in the opinion of the court below by review of this case is essential to the proper administration of justice in federal equity suits.

ARGUMENT.

Point I.

The Decision of the Circuit Court of Appeals for the Seventh Circuit in the Expansion Bolt Case Is in Direct Conflict With the Decision of the Circuit Court of Appeals in This Case, As the Latter Courts Admits in Its Opinion.

Upon substantially similar facts both the District Court for the Western District of Wisconsin and the Circuit Court of Appeals for the Seventh Circuit in *United States Expansion Bolt Co.* v. *H. G. Kroncke Hdw. Co. et al.*, 216 Fed. 186, affirmed 234 Fed. 868,

decided the precise issue here presented directly contrary to the decisions of the courts below.

In that case as in this, the manufacturer, a stranger to the jurisdiction, was permitted to and did intervene as a defendant in a suit in equity against a purchaser of its product and joined with the original defendant in an answer setting up proper defenses and a counterclaim charging plaintiff with infringement of a patent owned by the manufacturer, and assumed the defense to protect its interests.

There as here, the original defendant was merely a nominal defendant and had not sufficient interest in the result of the suit to defend it properly on its own account; and this was recognized by plaintiff when suit was instituted and a copy of the bill of complaint furnished (in the *Expansion Bolt* case, to the manufacturer; in the instant case, to its attorneys).

In each case the plaintiff moved to dismiss the counterclaim on grounds including those now under consideration, objection to the ruling of the lower court was preserved in proper assignments of error on appeal to the Circuit Court of Appeals and the identical questions briefed, argued and submitted to the Circuit Court of Appeals (see reference in lower court's opinion to brief in *Expansion Bolt* case, R. 62, reproduced, *infra*, pp. 35-46).

In the *Expansion Bolt* case the District Court overruled the motion to dismiss the counterclaim; the case, including the issues raised by the counterclaim, was tried; the counterclaim considered and the case decided on the merits; and on appeal the entire case was reviewed and the decision of the District Court affirmed as to the issues of patent infringement presented by the bill and counterclaim. Both courts necessarily passed on the questions raised, including the propriety of a counterclaim by a defendant who intervened as

distinguished from an original defendant, and if there is anything obscure in the opinion of either court in the *Expansion Bolt* case on this point, as the court below seems to think, that obscurity can only signify that in the *Expansion Bolt* case, both courts, interpreting and applying Equity Rule 30 in harmony with later decisions of this court as they did, were impressed with the obviousness of that interpretation of the rule which would permit matters of the character presented by the counterclaim as well as by the bill of complaint in that case—and in this case—to be disposed of in a single decree in one suit.

In the instant case both the District Court and the Circuit Court of Appeals arrived at a contrary conclusion. Rejecting the precedent of the *Expansion Bolt* case, as to the interpretation of Equity Rule 30, the court below, though recognizing (R. 60)

> "that the language of the Rule will bear the opposite construction; 'defendant' is apt enough to include 'intervening defendant',"

and that

> "the Thirty-seventh Rule does not stand in the way",

upon a so-called "balance of advantage" adopted "the flatly contra" view of a group of cases harking back to the discarded practice of the cross-bill under the old equity rules (and of admittedly uncertain reasoning), that a party who has become a defendant in a suit in equity by the route of intervention may not assert a counterclaim against a plaintiff which would not otherwise have been available to an original defendant. It thus, in effect, usurped a function of this court, and rewrote Equity Rule 30, promulgated by this court, to restrict its provisions relating to counterclaims in a

manner contrary to the scope and purpose of the rule as defined by this court.

We know of no decision of this court interpreting Rule 30, or any other Equity Rule, which indicates a distinction between a "defendant" and an "intervening defendant" in respect to the filing of a counterclaim. The liberal doctrine of interpretation of the Equity Rules in general and Rule 30 in particular announced and uniformly adhered to by this court in fact points the other way.

In *American Mills Co.* v. *American Surety Co.*, 260 U. S. 360, this court said (P. 364):

> "The new Equity Rules were intended to simplify equity pleading and practice by limiting the pleadings to a statement of ultimate facts without evidence and by uniting in one action as many issues as could conveniently be disposed of."

Again in that case this court said of that rule (p. 365):

> "The rule should be liberally construed to carry out its evident purpose of shortening litigation."

In keeping with the policy thus expressed counterclaims asserting causes of action in equity have been freely allowed, including counterclaims on patents wholly unrelated to the causes of action set forth in the bill of complaint. See *Wire Wheel Corp. of America* v. *Budd Wheel Co.* (C. C. A. 4), 288 Fed. 308, 309 (the late Chief Justice Taft sitting as Circuit Justice).

Further departure from the old practice of the cross-bill in the application of the doctrine of the *American Mills* case to counterclaims upon patents unrelated to those of the bill of complaint under Equity Rule 30 appears in *Leman* v. *Krentler-Arnold Co.*, 284 U. S. 448, and *General Electric Co.* v. *Marvel*, 287 U. S. 430,

holding that the plaintiff by the filing of his bill of complaint submits himself

> "to the jurisdiction of the court with respect to all the issues embraced in the suit including those pertaining to the counterclaim of the defendants,"

irrespective of whether the counterclaim arise out of the subject-matter of the plaintiff's suit or contain allegations of the jurisdictional requisites of Section 48 of the Judicial Code (28 U. S. C. Sec. 109).

The amendment of Rule 30 in 1925 to provide for the bringing in of additional parties,

> "when in the determination of a counterclaim complete relief cannot be granted without the presence of parties other than those to the bill,"

was in keeping with the doctrine of the *American Mills* case and these later decisions of this court.

An interpretation of Rule 30 *including* a defendant admitted by intervention, without distinction in respect to the filing of a counterclaim, not only requires no expansion of that doctrine but is fully consistent with the plain language of the rule.

The inconsistency of the interpretation of Rule 30 adopted by the court below is convincingly shown by its opinion. It admits the susceptibility of Rule 30 to the interpretation for which petitioner contends and that so interpreted petitioner's counterclaim is proper; it admits the desirability of importing into the rule the saving of an exercise of discretion by the court permitting a counterclaim by the intervener in cases where (R. 61)—

> "the intervener is practically forced into the suit,"

as here, but states that (R. 61)

> "there is no warrant for such a treatment of the rule as it stands;"

notwithstanding (R. 62),

> "upon what we deem to be the balance of advantage,"

it does in fact interpret the rule adversely to petitioner's contention by importing into the rule a qualification distinguishing a defendant who entered by intervention from an original defendant and, in effect, the saving of an exercise of discretion by the court to limit a defendant who has entered by the route of intervention to a counterclaim available to an original defendant, though there be no language in the rule susceptible of such interpretation. Thus that court in effect did what it disapproved as unwarranted.

Again, if the language of Rule 30

> "is apt enough to include 'intervening defendant' "

and is barren of any contrary indication, and

> "the Thirty-seventh Rule does not stand in the way,"

there would seem to be no occasion invoking a "balance of advantage" as a controlling factor, no justification for differently interpreting Rule 30 as if Rule 37 did stand in the way.

The opinion of Judge Kerrigan in *Leaver et al.* v. *K. & L. Box & Lumber Co.* (N. D. Cal.), 6 F. (2d) 666, 667, in which he limited an intervening manufacturer seeking to interpose a counterclaim to such affirmative relief as was open to the original defendant, refers to an earlier decision of the same court in accord with the *Expansion Bolt* case, as follows (p. 667):

> "This presents the same question which was lately raised in the case of *Leaver et al.* v. *Fox,* in this court, where the same motion, made on exactly similar facts, was granted."

That the California court was of two minds in the application of Equity Rules 30 and 37 is further evidence of such a conflict regarding the interpretation and application of these rules as to call for a review of the decree of the court below and an expression from this court more particularly defining the meaning of those provisions of the rule pertaining to counterclaims.

Prompt settlement of the interpretation of such a rule of practice promulgated by this court is essential in order that the lower courts, and litigants as well, may be relieved of the burdens and uncertainties such as those which attended the differences of opinion (in more than 100 cases) concerning the interpretation of this rule in kindred aspects prior to the decision in *American Mills Co.* v. *American Surety Co.*, 260 U. S. 360, and later decisions elsewhere herein referred to. See 46 Harvard Law Review 638, 35 Harvard Law Review 276. The importance of this is emphasized by the mounting volume of dicta indicated in the decisions cited in the opinion of the court below.

Point II.

Analysis of the Cases Cited by the Court Below on the Side of Its Holding Indicates that They Do Not in Fact Warrant It.

Of the six cases cited in the opinion on the side of the court's holding only one can fairly be said to be pertinent in fact and that reverts to the obsolete practice of the cross-bill. Two antedate the adoption of the Equity Rules and reflect an old doctrine. The others contain only dicta.

Curran, et al. v. *St. Charles Car Co.* (E. D. Mo.), 32 Fed. 835 (1887), in which the court denied leave to an

intervening defendant to file a cross-bill for unfair competition on the ground that the equitable relief sought was not available to the original defendant, was decided some twenty-five years before the adoption of Equity Rule 30 and ought not to be followed in interpreting or applying that rule, which eliminated the cross-bill of the earlier practice.

Powell et al. v. *Leicester Mills* (E. D. Pa.), 92 Fed. 115 (1899), also decided long before the adoption of the present Equity Rules, denied intervening defendants leave to amend their answer to set up a defense not available to the original defendants. The opinion does not indicate whether or not the particular defense would have been proper subject-matter of a counterclaim under Rule 30, and the case cannot be regarded as affecting the interpretation of that rule.

Atlas Underwear Co. v. *Cooper Underwear Co.* (E. D. Wis.), 210 Fed. 347, did not decide the point now under consideration.

True, leave to intervene was sought by persons desiring to set up a counterclaim for patent infringement, but the court ruled that they had no such interest in the subject of the suit as to entitle them to be admitted as parties defendant, and merely adverted to the possibility that if the *original* defendant (p. 355)—

> "were alone seeking to assert a counterclaim of the character noted, it *might* present the interesting question whether it should be allowed in view of the ruling of this court in the recent case of *Adamson* v. *Shaler*" (E. D. Wis.), 208 Fed. 566.

Moreover, the ruling in the case referred to was rejected by this court in the *American Mills* case.

Allington et al. v. *Shevlin-Hixon Co.* (D. Del.), 2 F. (2d) 747, likewise did not decide the point now presented.

The court granted plaintiffs' motion to dismiss the bill and denied the manufacturer leave to intervene because it did not seek to become a party to the cause to obtain affirmative relief therein until after the motion to dismiss the bill had been filed. Said the court (p. 749):

> "In the case at bar Burns did not seek to become a party to the cause or to obtain affirmative relief therein until after plaintiff's motion to dismiss the bill had been filed. I think he comes too late."

It expressly refrained from determining the right otherwise of the manufacturer to secure affirmative relief that was not available to the original defendant, although suggesting a query in that respect.

Chester v. *Life Association of America* (W. D. Tenn.), 4 Fed. 487 (1880), cited in *Allington* v. *Shevlin-Hixon Co.* (D. Del.), 2 F. (2d) 747, was decided more than thirty years before the adoption of the present Equity Rules. Denying intervention upon the mere refusal of consent by the original plaintiff, it reflects a doctrine quite the contrary of Rule 37, which must be considered as discarding that doctrine. The case should be regarded as of historical interest only.

Leaver v. *K. & L. Box & Lumber Co.* (N. D. Cal.), 6 F. (2d) 666, limited an intervening manufacturer seeking to interpose a counterclaim based on unfair competition to such affirmative relief as was open to the defendant, citing *Allington* v. *Shevlin-Hixon Co.* (D. C.), 2 F. (2d) 747; *Atlas Underwear Co.* v. *Cooper Underwear Co.* (D. C.), 210 Fed. 347; and *Curran* v. *St. Charles Car Co.* (C. C.), 32 F. 835, and characterized as erroneous the earlier decision of the same court to the contrary in the apparently unreported case of *Leaver* v. *Fox*. Obviously unsound and provincial is the statement of the court that

> "the reasons for a rule limiting intervening defendants to such affirmative relief as is open to the defendant of record are particularly cogent in the case before us, where, if permitted, a stranger to the original proceeding will convert a simple action for infringement against a single vendee into a suit for damages to the business of a manufacturer whose field of operations apparently is the whole United States, and whose interest here is only incidental."

Rather than *incidental,* the interest of the manufacturer is vital, as pointed out elsewhere in this brief.

Borne Scrymser Co. v. *Gaffney Mfg. Co.* (W. D. S. C.), 5 F. Supp. 405, affirmed (C. C. A. 4), 68 F. (2d) 104, struck from the original defendant's answer a counterclaim charging infringement of a patent acquired subsequent to the filing of the bill and denied leave to intervene to the owner of the legal title to the patent of the counterclaim on the ground that neither the petition nor the proposed bill of intervention concerned anything but the subject-matter of the counterclaim. In other words, the petition to intervene failed to show such an interest in the controversy as to comply with Equity Rule 37. The case is clearly not in point, for that intervener had an interest in the controversy and that the patent of intervener's counterclaim was acquired prior to the filing of the bill here are not questioned.

Surely such cases, reverting as they do to the discarded practice of the cross-bill, should not be viewed as pointing the way to the determination of this important question of practice.

Point III.

The Circuit Court of Appeals Determined An Important Question of Practice Adversely to the Public Interest.

A correct decision of the point in controversy is important not only to the immediate defendants but to the public at large.

The question here is more than one of mere private rights. Going as it does to an important question of practice, it involves the larger question of public rights. It is a matter of public policy of more than passing moment how a controversy of the character here presented, for example, shall be dealt with; whether narrowly and piecemeal, with perhaps a too tender regard for the attacking litigant, or liberally with a view to expeditious, complete settlement.

The real controversy is a trade controversy. Respondent and petitioner are competitors. By suing a user of petitioner's device respondent has questioned petitioner's right to make, sell and use the invention of its patent and the correlative right to exclude others from so doing, in a concrete instance. If petitioner is to protect that right, it cannot sit back and indulge the sniping tactics of a competitor exemplified in the bill of complaint. To do so would permit its competitor to whittle away its trade and patent rights. It has no alternative but to defend the suit and promptly assert its rights, and should be regarded as in the case *in invitum*. See *Leary* v. *United States*, 224 U. S. 567, 574, 576, and *Aetna Casualty & Surety Co.* v. *American Surety Co.* (C. C. A. 4), 64 F. (2d) 577, 582, recognizing an absolute right of intervention on the part of one having a direct and immediate interest in the subject

of the suit. And adequate defense includes the setting up of the counterclaim. Rule 30 seems to require it.

> "The transaction which is the subject-matter of the suit"

in a case such as this, for example, where the manufacturer of the accused device, the real party in interest, with leave according to accepted practice, has become a defendant and assumed the defense, embraces more than the mere use of such device by the defendant designated in the bill of complaint.

A step toward recognition of this is found in the opinion of the Circuit Court of Appeals (R. 60):

> "It is to be assumed that a single press may and does embody the features claimed in both patents as an invention."

As to this common subject-matter, which that court thus says embodies the features of both patents, respondent claims the right to make, sell and use and to exclude defendant, and, in effect, petitioner under the patent of the bill. Likewise, petitioner claims the right to make, sell and use this common printing press under the patent of the counterclaim and to exclude plaintiff from so doing. The very right of defendant to use the press which it purchased from petitioner depends on the determination of the validity and scope of both patents. A single question is thus presented, namely, who has the right to make, sell and use the press involved, respondent under the patent of the bill, or petitioner and through it defendant under the patent of the counterclaim? This question can only be answered by permitting the counterclaim to stand and letting the case go to a single decree on that one issue. It follows that the right asserted by defendants in the counterclaim—

> "arises out of the transaction which is the subject-matter of the suit."

The counterclaim, therefore, falls within the mandatory provision of Equity Rule 30, and must be set forth in the answer by counterclaim.

Moore v. *New York Cotton Exchange*, 270 U. S. 593, 610, is pertinent:

> "'Transaction' is a word of flexible meaning. It may comprehend a series of many occurrences, depending not so much upon the immediateness of their connection as upon their logical relationship."

Here both immediateness of connection and logical relationship have been demonstrated.

If, as Judge Tuttle said in permitting an intervening defendant to set up a cross-complaint seeking affirmative relief against another defendant in *United States* v. *Boynton* (E. D. Mich.), 297 Fed. 261, 268,

> "the very facts relied on by the plaintiff in support of the decree sought by it might also entitle the interveners to the relief prayed by them,"

why under converse circumstances should not a defendant who entered by intervention, as here, be permitted to set up a counterclaim seeking affirmative relief against plaintiff?

To assert its patent in an independent suit in another jurisdiction would involve a seemingly unnecessary additional suit, complicating and extending rather than simplifying and shortening litigation of what is in reality a single controversy.

The right of defendant, a purchaser of the press in question from petitioner and its resulting license to use same may best be asserted in connection with the claim of right on the part of petitioner to a monopoly of the right to make and sell as well as use the press in ques-

tion under the patent of the counterclaim. This is not giving to defendants any greater latitude than is given to a plaintiff under Equity Rule 26.

Petitioner, through its counterclaim, merely brings the controversy in these broader aspects before the court for settlement in a single decree and in a jurisdiction of respondent's own choosing. This course seems to be clearly within the scope and purpose of Rule 30 as interpreted by this court in the cases above cited. That the controversy assumes greater proportions than respondent intended and embraces two patents instead of one ought not to be a controlling factor necessitating the dismissal of the counterclaim.

In *Marconi Co.* v. *National Co.*, 206 Fed. 295, District Judge Chatfield of the Eastern District of New York pointed out that if a liberal construction of the rule renders it difficult to try together all the questions thus presented by bill and counterclaim (p. 302):

> "The court must ultimately determine what issues can be properly disposed of in a 'final judgment' in the suit and order severance accordingly."

Judge Chatfield in that case overruled a motion to strike out the counterclaim and concluded his opinion by saying:

> "In the present case, while difficulty is suggested by the nature of the subject-matter and the number of claims, it does not seem that for a trial without a jury greater difficulty would be found than in disposing of four suits in what might be termed a series, and there seems to be no reason, beyond the court's natural desire to simplify its work, for striking out the counterclaim in the present action. If it should appear that some connection of events brings this counterclaim or the cause of action upon the defendant's patents into the category of matters arising 'from the same transaction' as the

> plaintiff's own cause of action, then assuredly the court should not force the parties into the possible position of having their rights in the future shut off by the mandatory language of the first part of the section."

As Judge Mayer said in *American Brake Shoe & Foundry Co.* v. *New York Rys. Co.* (S. D. N. Y.), 293 Fed. 612, 624:

> "Equity . . . is always alert to do what is just and fair, and in the light of new developments and experience meets new problems and new conditions with appropriate decrees."

The propriety of a counterclaim by one of several defendants, irrespective of any interest of other defendants therein, is inferred in Equity Rule 31—

> ". . . If the counterclaim is one which affects the rights of other defendants they or their solicitors shall be served with a copy of the same . . ."

Petitioner, having intervened as and become a defendant and assumed the defense of the cause asserted in the bill, will, of course, be bound by the decree. If the decree be adverse it may be compelled, under the holding of the court below, to discontinue the manufacture of the accused device while respondent proceeds to make its device without interruption pending a decree in another jurisdiction in a suit against respondent on the patent which petitioner would set up in its counterclaim, thus perhaps giving respondent an important, if temporary, trade advantage that would not arise if the counterclaim were permitted and both patents litigated in the same suit.

In *Gulf Smokeless Coal Co.* v. *Sutton, Steele & Steele* (C. C. A. 4), 35 F. (2d) 433, plaintiff in a patent infringement suit was allowed to amend its bill of com-

plaint to conform to the proof and to have an injunction against a stranger to the jurisdiction, brought into the suit at the trial on the ground that it had manufactured and installed the accused device and was under contract to defend any infringement suits against its customer (the original defendant) relating thereto.

The fact that petitioner here became a defendant by intervention would not prevent its being similarly dealt with. *Vogue Co.* v. *Vogue Hat Co.* (C. C. A. 6), 12 F. (2d) 991; cer. den. 273 U. S. 706. Indeed, intervention under Rule 37 imposes no distinguishing characteristic beyond "subordination to" and "recognition of the propriety of the main proceeding." And, if subject to liability to the plaintiff without restriction, due regard for the interests of all parties would seem to require that a defendant who entered by intervention should be treated as a defendant generally and entitled to avail himself of all the instrumentalities of defense at his command, affirmative as well as negative in character. See *Automotive Products Corp.* v. *Wolverine B. & S. Co.* (C. C. A. 6), 15 F. (2d) 745.

A defendant entering by intervention, furthermore, though the real party in interest as in the case of petitioner, if restricted to a counterclaim available to an original defendant, in addition to the burden of determining at its peril whether or not it has any counterclaim arising out of the transaction which is the subject-matter of the suit, under the ruling of the court below, *must* likewise determine whether or not that counterclaim is available to an original defendant; an added burden which he should not be required to bear.

Public policy dictates speedy and complete determination of the rights of the real parties in interest in litigation in the manner which petitioner is attempting to follow in this case.

If it is inherent in the exercise of its jurisdiction that a court, once having acquired jurisdiction of the cause and the parties, may proceed to the determination of all matters arising, notwithstanding the failure of the cause upon which jurisdiction attached in the face of Sec. 48 of the Judicial Code (*Moore* v. *N. Y. Cotton Exchange*, 270 U. S. 593, 608; *General Electric Co.* v. *Marvel*, 287 U. S. 430, 432; *Hurn* v. *Oursler*, 289 U. S. 238), certainly mere considerations of the aggressor's selection of the jurisdiction and the defendant or of "the balance of advantage" ought not to dictate a contrary interpretation of Rule 30 in the absence of anything in its language indicating such interpretation.

The interpretation of Equity Rule 30 adopted by the Circuit Court of Appeals for the Second Circuit is plainly incompatible with the proper administration of justice in federal equity cases and contrary to the reason which impelled the adoption of this rule and Rule 37.

Conclusion.

The reasons stated, we think, warrant the issuance of the writ.

Respectfully submitted,

WALLACE R. LANE,
JOHN F. OBERLIN,
CLARENCE J. LOFTUS,
Counsel for Petitioner.

APPENDIX.

Equity Rules.

26. JOINDER OF CAUSES OF ACTION. The plaintiff may join in one bill as many causes of action, cognizable in equity, as he may have against the defendant. But when there are more than one plaintiff the causes of action joined must be joint, and if there be more than one defendant the liability must be one asserted against all of the material defendants, or sufficient grounds must appear for uniting the causes of action in order to promote the convenient administration of justice. If it appear that any such causes of action can not be conveniently disposed of together, the court may order separate trials.

30. ANSWER—CONTENTS—COUNTERCLAIM. The defendant by his answer shall set out in short and simple terms his defense to each claim asserted in the bill, omitting mere statements of evidence and avoiding general denials, but specifically admitting, denying or explaining the facts upon which the plaintiff relies, unless he is without knowledge, in which event he shall so state, and this shall be treated as a denial. Averments other than those of value or amount of damage, when not denied, shall be deemed confessed, except as against an infant, lunatic or other person non compos and not under guardianship, but the answer may be amended, by leave of the court or judge, upon reasonable notice, so as to put any averment in issue, when justice requires it. The answer may state as many defenses, in the alternative, regardless of consistency, as the defendant deems essential to his defense.

The answer must state in short and simple form any counterclaim arising out of the transaction which is the subject-matter of the suit, and may, without cross bill, set up any set-off or counterclaim against the plaintiff which might be the subject of an independent suit in equity against him, and such set-off or counterclaim, so

set up, shall have the same effect as a cross-suit, so as to enable the court to pronounce a final decree in the same suit on both the original and the cross-claims.

When in the determination of a counterclaim complete relief can not be granted without the presence of parties other than those to the bill, the court shall order them to be brought in as defendants if they are subject to its jurisdiction. (As amended May 4, 1925.)

31. Reply—When Required—When Cause at Issue. Unless the answer assert a set-off or counterclaim no reply shall be required without special order of the court or judge, but the cause shall be deemed at issue upon the filing of the answer, and any new or affirmative matter therein shall be deemed to be denied by the plaintiff. If the answer include a set-off or counterclaim, the party against whom it is asserted shall reply within ten days after the filing of the answer, unless a longer time be allowed by the court or judge. If the counterclaim is one which affects the rights of other defendants they or their solicitors shall be served with a copy of the same within ten days from the filing thereof, and ten days shall be accorded to such defendants for filing a reply. In default of a reply, a decree pro confesso on the counterclaim may be entered as in default of an answer to the bill.

37. Parties Generally—Intervention. Every action shall be prosecuted in the name of the real party in interest, but an executor, administrator, guardian, trustee of an express trust, a party with whom or in whose name a contract has been made for the benefit of another, or a party expressly authorized by statute, may sue in his own name without joining with him the party for whose benefit the action is brought. All persons having an interest in the subject of the action and in obtaining the relief demanded may join as plaintiffs, and any person may be made a defendant who has or claims an interest adverse to the plaintiff. Any person may at any time be made a party if his presence is necessary or proper to a complete determination of the

cause. Persons having a united interest must be joined on the same side as plaintiffs or defendants, but when anyone refuses to join, he may for such reason be made a defendant.

Anyone claiming an interest in the litigation may at any time be permitted to assert his right by intervention, but the intervention shall be in subordination to, and in recognition of, the propriety of the main proceeding.

IN THE

UNITED STATES CIRCUIT COURT OF APPEALS

FOR THE SEVENTH CIRCUIT.

OCTOBER TERM, A. D. 1914.

U. S. EXPANSION BOLT COMPANY, *Appellant,* vs. H. G. KRONCKE HARDWARE COMPANY, DIAMOND EXPANSION BOLT COMPANY, HENRY B. NEWHALL, *Appellees.*	No. 2320.
H. G. KRONCKE HARDWARE COMPANY, DIAMOND EXPANSION BOLT COMPANY and HENRY B. NEWHALL, *Appellants,* vs. U. S. EXPANSION BOLT COMPANY, *Appellee.*	Appeals from the District Court of the United States for the Western District of Wisconsin. No. 2331.

BRIEF AND ARGUMENT ON BEHALF OF U. S. EXPANSION BOLT CO.

STATEMENT OF CASE.

MAY IT PLEASE THE COURT:

U. S. Expansion Bolt Co., a New York corporation, filed suit in the United States District Court for the Western District of Wisconsin, against the H. G. Koncke Hardware Co., a Wisconsin corporation, charging infringement of the McCreery Patent, No. 623,809, in the sale of one-part ex-

pansion shields of lead, made by the Diamond Expansion Bolt Co.

The Diamond Expansion Bolt Co., a New York corporation, became a party defendant by leave of court, and filed answer jointly with the Kroncke Company. Subsequently, at the trial of the case, Mr. H. B. Newhall, President of the Diamond Company, also intervened to become a defendant. Leave was granted to the two defendants first named to set up in their answer three counterclaims against the U. S. Expansion Bolt Co., based upon alleged infringement of (1) the Pleister Patent, No. 973,559, (2) the Cook Patent, No. 685,820, and (3) alleged unfair competition. To the filing of these counterclaims the U. S. Company vigorously objected. The answer of the U. S. Company to these counterclaims reiterated its objections to the right of the Diamond and Kroncke Companies to assert these counterclaims for jurisdictional as well as other reasons. The U. S. Company in its answer to these counterclaims also pleaded a certain cross counterclaim based on unfair competition by the Diamond Company.

In the decision of Judge Sanborn on final hearing, the charges of infringement under all three patents in suit were dismissed, although each of the patents was held to be valid. The charge of unfair competition against the U. S. Company was sustained, and an injunction entered, which was later suspended on the filing of a supersedeas bond. The cross counterclaim against the Diamond Company was dismissed as not supported by the evidence.

Each side has taken an appeal to this court on such points as were decided adversely to it, so that all the issues of this controversy may be discussed comprehensively in this brief.

ERRORS RELIED UPON BY THE U. S. COMPANY.

The appeal of the U. S. Company from Judge Sanborn's decision is based on the following errors:

1. In holding that the one part shields of the Diamond Company do not infringe claim 3 of the McCreery patent set forth in the bill of complaint, or in any way violate the U. S. Company's rights thereunder.

2. In holding that the Diamond Expansion Bolt Co. and Henry B. Newhall, two of the defendants by intervention, were entitled to present counterclaims against the U. S. Company based on alleged infringements of two patents and unfair competition, and that the U. S. District Court for the Western District of Wisconsin could assume jurisdiction over the U. S. Company in respect to these matters, or any of them.

3. In holding that the Diamond Company's Cook and Pleister patents are good and valid in law, and in not holding that the said patents and each of them, are invalid.

4. In not holding that the principles of invention embodied in the McCreery Expansion Bolts, as publicly used in Cleveland since 1903, apply to two-part shields, such as are defined by the Diamond Company's Pleister patent in suit.

5. In holding that the court at Madison, Wis., could exercise jurisdiction in respect to charges of unfair competition between the U. S. Company and the Diamond Company, the principal defendant, both citizens of the State of New York, after the U. S. Company had been found not to infringe upon the patent rights of the Diamond Company.

6. In holding that the U. S. Company has infringed any rights of the Diamond Company, based on alleged unfair competition, in the sale of the U. S. E. one part shields (lead), and U. S. E. two part shields (iron).

7. In holding that the Diamond Company is entitled to equitable relief of any kind as prayed for in the counterclaim based on unfair competition.

8. In holding that the rights of the U. S. Company, secured to it by the Zifferer Patents, Nos. 1,136,638 and 1,138,345, to manufacture its present form of one part shields and two part shields, is abridged by the alleged trade rights of the Diamond Company acquired by user.

9. In holding that any of the acts and doings of the U. S. Company in connection with the sale of its one part shields (lead) and two part shields (iron) are unfair or improper, or tend in any way to constitute unlawful competition.

10. In holding that the U. S. Company's cross counterclaim against the Diamond Company, based upon unfair competition, is not sustained by the evidence.

BRIEF OF ARGUMENT.

THE FILING OF COUNTERCLAIMS BY THE DIAMOND COMPANY WAS IMPROPER IN THIS CASE.

INTERVENTION BY THE DIAMOND COMPANY WAS A PRETEXT FOR INJECTING COUNTERCLAIMS.

At the outset we wish to discuss certain questions of procedure and propriety as well as jurisdiction, arising out of the filing by the Diamond Company of its three counterclaims.

Italics appearing throughout this brief are ours, except where specified otherwise.

The Diamond Company's motion to intervene and set up counterclaims was opposed from the beginning. At no time since, has the U. S. Company waived its objections to such an improper procedure. The original defendant, the Kroncke Company, is a hardware concern at Madison, Wisconsin, and was sued by the U. S. Company for selling expansion bolts manufactured by the Diamond Company, a New York corporation. The suit, as originally contemplated, involved but one straight, clean-cut issue of patent infringement. Jurisdiction was based upon the statutory provision that:

> "The Circuit Courts of the United States shall have jurisdiction, in law or in equity, in the district of which the defendant is an inhabitant, or in any district in which the defendant, whether a person, partnership, or corporation, shall have committed acts of infringement and have a regular and established place of business." (U. S. Statutes, 1897, Sec. 629.)

In its petition to intervene, the Diamond Company, under the guise of an allegation in the answer, set up that it is the owner of the Cook Patent, No. 685,820; that it is the exclusive licensee of the Pleister Patent, No. 973,559; and that these patents are being infringed by the U. S. Company, although the Kroncke Company has no interest in these patents or the

enforcement of rights thereunder. In the same indirect way the Diamond Company alleged certain trade-rights which it claims to have acquired in the form of its expansion bolts, and that these trade-rights are being damaged by the U. S. Company through acts of unfair competition, although the Kroncke Company is not involved in the enforcement of these rights. The answer prayed for positive relief against the U. S. Company by way of set-off or counterclaim under Rule 30. The petition to intervene was obviously presented for the purpose of imposing in the U. S. District Court for the Western District of Wisconsin jurisdiction of a claim of unfair competition between two corporate citizens of the *State of New York*, and claims of patent infringement as well, in a district where the U. S. Company maintains no established place of business.

The institution by the Diamond Company of a *direct* proceeding would be totally unavailing to impose jurisdiction in the U. S. District Court at Madison, either in respect to charges of patent infringement or unfair competition. And it follows necessarily that the Diamond Company is equally unable in an *indirect* proceeding to impose jurisdiction in this court over these issues, against the protest of its adversary, through intervention or any other means.

RULE AS TO INTERVENTION.

Equity rule, No. 37, after stating the circumstances in which parties may intervene proceeds as follows:

> "Any one claiming an interest in the litigation may at any time be permitted to assert his right by intervention, but the intervention shall be in *subordination to*, and in recognition of, *the propriety of the main proceeding.*"

Obviously this rule confers jurisdiction on the court to determine whether the petitioner seeks to intervene for the purpose of asserting some right respecting the matter in

issue in the main proceeding, or for some other ulterior purpose. There could be no objection that the Diamond Company, as manufacturer of the goods complained of, should intervene and submit itself to the jurisdiction of the Court at Madison, Wisconsin, for the sole purpose of *defending* against the charge of infringement made by the U. S. Company, although even that privilege has been denied on certain occasions.

The petition to intervene was filed, not to further a determination of the issues in the main proceeding, and not "in subordination to, and in recognition of, the propriety" of such issues, but rather for the purpose of injecting into this case three separate and distinct causes of action in which the original defendant, the Kroncke Company, has *no interest whatsoever*. And the situation which has developed as a result of the injection of these counterclaims is remarkable indeed. The bill of complaint has been dismissed, and the case has lost all semblance of its original aspects, having proceeded to final determination upon a set of issues which are totally unrelated to those set forth in the bill of complaint filed by the U. S. Company. In consequence of this, Judge Sanborn has been obliged to exercise jurisdiction in respect to three causes of action, none of which are predicated upon anything within the province of his court under the statute. Intolerable confusion and conflict of jurisdiction may well arise from the situation thus presented.

THE SET-OFFS OR COUNTERCLAIMS

The second paragraph of Equity Rule 30 reads as follows:

> "The answer must state in short and simple form any counterclaim arising out of the transaction which is the subject matter of the suit, and may, without cross bill, set out any set-off or counterclaim against the plaintiff which might be the subject of an independent suit in equity against him, and such set-off or counterclaim, so set up, shall have the same effect as a cross suit, so as to

enable the court to pronounce a final judgment in the same suit both on the original and cross claims."

Even if the original defendant, the Kroncke Company, were the owner of the patents under which the Diamond Company has prayed for relief, and the owner of the alleged trade rights which form the basis of the unfair competition counterclaim, and even if no question of intervention were involved, nevertheless, under the construction of Rule 30 which has been universally adopted by the courts, no set-off or counterclaim could properly be urged in the answer in the present case.

Rule 30 has been differently interpreted by the courts. In certain of the eastern districts, it appears that a counterclaim, under a patent *owned by the defendant*, may be set up and tried as an issue in the main proceeding. Judge Geiger, however, in the Wisconsin District, has taken a different view, and in the case of *Adamson v. Shaler*, 208 Fed., 566, has held that such a proceeding was improper in any circumstances. The syllabus in this case reads as follows:

"The provision of new equity rule 30 that a defendant may set out in his answer 'any set-off or counterclaim against the plaintiff which might be the subject-matter of an independent suit in equity against him' does not authorise the defendant, in an infringement suit, to set up as a counterclaim a cause of action for infringement of another patent, wholly unrelated to the subject-matter of the bill."

Among other things Judge Geiger says:

"One of these results would be—if the broad construction be not again limited to specific cases, such as patent cases where diversity of citizenship is immaterial—to indirectly *enlarge the statutory jurisdiction.*"

But Judge Geiger, irrespective of jurisdictional considerations, holds that the rule was not intended to permit the combining of unrelated causes of action under patents owned respectively by the complainant and defendant.

This is also the view taken by Judge Dodge in the Massa-

chusetts District in the case of *Terry Steam Turbine Co*, v. *B. F. Sturtevant Co.*, 204 Fed., 103.

But even those courts which have recognized the propriety, in patent cases, of permitting the defendant to set up his patent in a counterclaim, have clearly recognized the jurisdictional limitations which must, in all cases, condition such a practice. This is clearly indicated in the case of *Marconi Wireless Telegraph Co.* v. *National Electric Signalling Co.*, 206 Fed., 295. Judge Chatfield, in this case which expresses the most liberal interpretation of Rule 30 states:

> "It is evident that the Supreme Court cannot by rule confer jurisdiction, and that they have not intended so to do. It is evident that when they say 'causes of action in equity,' they mean only such causes of action as the court could entertain. We shall not attempt to classify or define the various causes of action of which the United States courts are given jurisdiction by statute, but for the purposes of this motion, and for the interpretation of the section, we shall confine consideration to causes of action which could be heard by the same court as the one acting in a suit brought by a plaintiff for infringement of patent, occurring within this district. Surely a cause of action in equity between the plaintiff and defendant, if both reside in this district, could not be brought in the United States court, unless it arises under the patent laws or some other statute of the United States giving this court jurisdiction. Manifestly, therefore, only such causes of action could be cognizable in equity under rule 26 in this court, and only such causes of action could be interposed by a defendant as counterclaims and set-offs to an action on a patent.
>
> It has been uniformly held in this circuit and in many other courts of the United States, that an action brought under the patent laws cannot be made to carry with it violations of other rights, of which the court does not have jurisdiction through diversity of citizenship, or under some other statute of the United States. *National Casket Co.* v. *New York & Brooklyn Casket Co.* (C. C.), 185 Fed., 533. The new equity rules do not enlarge this limit. Rule 26, except as modified by the necessities of convenience, allows the joinder of as many causes of action as

can be properly disposed of and covered by 'a final judgment.' But these are only such actions as could be brought separately, and rule 26 does not compel the union of dissimilar actions, nor the inclusion in one decree of a number of various kinds of equitable relief, with various sets of accountings.

By analogy, rule 30 seems to be intended to prevent useless litigation and to serve the convenience of parties by providing for the inclusion of as many causes of action (which the court of equity can entertain within its statutory jurisdiction) as could properly be disposed of in one litigation, by cross suits, and which could be included in the necessary injunction orders and by a complete accounting in one decree."

Although we think Judge Geiger's reasoning in the Adamson-Shaler case is conducive to the better practice, and although his decision establishes the practice in the Wisconsin District, nevertheless, even if this court is disposed to adopt the interpretation of the rule laid down by Judge Chatfield, none of the counterclaims can be set up, for the reason that only such causes of action can be indirectly set up by counterclaim as might be the subject of a direct proceeding in the court *having jurisdiction* of the subject-matter.

The joint answer of the Kroncke and Diamond Companies alleges the pendency in the U. S. District Court of the Southern District of New York of a suit under the Cook Patent, entitled *Diamond Expansion Bolt Co.* v. *U. S. Expansion Bolt Co.* The pendency of this suit indicates a recognition on the part of the Diamond Company of the propriety of suing the U. S. Company in the New York District, and since the answer contains no averment that the U. S. Company maintains an established place of business in Wisconsin, Judge Sanborn was obviously without jurisdiction in the premises.

The answer of the Diamond Company further contains an allegation concerning the pendency of a suit in the New York Supreme Court entitled *Diamond Expansion Bolt Co.* v. *U. S. Expansion Bolt Co.*, charging unfair competition in trade,

Such a controversy is one involving citizens of the same State. The Federal Court can have no jurisdiction of this issue for any purpose whatever, and it is manifestly improper for such an issue to be injected in any way, shape or form into a case commenced by the U. S. Company against a mere dealer.

It is true that the answer filed by the Diamond Company contains a joker in the form of an averment that the Kroncke Company has been damaged to the extent of $2,000.00 by alleged unfair competition of the U. S. Company. But this averment in the light of all the facts in the case, is a mere pretense whose evident purpose is to make a showing of interest in the Kroncke Company, and a right to maintain a counterclaim of this kind independent of any alleged rights asserted on behalf of the Diamond Company. The farcical character of the Kroncke Company's "counterclaim" is manifest when we consider that its answer contains no averment whatever concerning the acquisition of any trade rights which would constitute a basis for the maintenance of an unfair competition suit. There is no sufficient averment moreover, that the Diamond Company's goods have become widely known in the State of Wisconsin through the efforts of the Kroncke Company; and no averment whatever to the effect that the Diamond Company's goods have acquired a trade reputation through the efforts of the Kroncke Company. On the contrary, the answer is eloquent in its statements concerning what has been done by the Diamond Company in building up a business in the District of Wisconsin, but is significantly silent concerning any activity in the Kroncke Company in enlarging the business. Nor has one scintilla of evidence been adduced showing that the Kroncke Company has any interest in the unfair competition issues, and not a single witness connected with the business of that company has been produced by either party.

Irrespective, therefore, of all the questions concerning the right of a *dealer* to maintain an unfair competition proceed-

ing respecting trade-rights acquired primarily by a *manufacturer*, which we very much doubt in any case, nevertheless, in the present answer there is an entire absence of allegations setting forth any rights exclusively in the Kroncke Company, which would constitute a proper basis for an unfair competition proceeding. The presentation of counterclaims should therefore have been denied in toto, as lacking in averments which would constitute a basis for granting several relief in behalf of the Kroncke Company.

Even if the court were disposed to adopt the liberal rather than the strict interpretation of Rule 30, respecting counterclaims, and were to take issue with Judge Geiger respecting the interpretation of that rule, and even if the court were to recognize the general right of a defendant in a patent case to answer to a charge of infringement with a countercharge of unfair competition, nevertheless, it would be manifestly improper, under the very meager joint averments of the answer, to permit the Kroncke Company to raise this issue independently in the present case. The averments concerning unfair competition matters are directed almost entirely to the question of damages to the Kroncke Company, but no averments are found respecting any right to *independently* maintain this or any other cause of action. For this reason, we respectfully submit and insist that the counterclaims should have been disallowed, first, because they relate to matters and things in which the Kroncke Company has no interest, and second, because the Kroncke Company failed to set up in the answer facts which would entitle it, independently of the Diamond Company, to maintain any such counterclaims or set-offs.

UNITED STATES CIRCUIT COURT OF APPEALS

FOR THE SEVENTH CIRCUIT.

I, FREDERICK G. CAMPBELL, Clerk of the United States Circuit Court of Appeals for the Seventh Circuit, do hereby certify that the foregoing photostated plates, numbered from 35 to 57, inclusive, contain a true copy of the first twelve pages of Brief and Argument on behalf of the U. S. Expansion Bolt Co. filed on the 20th day of December, 1915, in the cases of

U. S. Expansion Bolt Company,
Appellant,
vs.
H. G. Kroncke Hardware Company, Diamond Expansion Bolt Company and Henry B. Newhall,
Appellee.

H. G. Kroncke Hardware Company, Diamond Expansion Bolt Company and Henry B. Newhall,
Appellants;
vs.
U. S. Expansion Bolt Company,
Appellee.

Nos. 2320 and 2331, October Term, 1914, as the same remains upon the files and records of the United States Circuit Court of Appeals for the Seventh Circuit.

IN TESTIMONY WHEREOF I hereunto subscribe my name and affix the seal of said United States Circuit Court of Appeals for the Seventh Circuit, at the City of Chicago, this 22nd day of March, A. D. 1935.

Seal Circuit Court of Appeals Seventh Circuit

FREDERICK G. CAMPBELL,
Clerk of the United States Circuit Court of Appeals for the Seventh Circuit.

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CLERK

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, A. D. 1935.

No. 11.

THE CHANDLER & PRICE COMPANY,
Petitioner,

vs.

BRANDTJEN & KLUGE, INC., and JOSEPH FREEMAN, INC.,
Respondents.

BRIEF FOR PETITIONER.

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INDEX.

STATEMENT OF THE CASE 1

Grounds on which petitioner was made a defendant 5

Petitioner insists 7

SPECIFICATION OF ERRORS 8

SUMMARY OF ARGUMENT 8

ARGUMENT 10

Point I. The interpretation of Equity Rule 30 adopted by the Circuit Court of Appeals in this case is inconsistent with the plain language of that rule and conflicts with the decision of the Circuit Court of Appeals for the Seventh Circuit in the Expansion Bolt Case interpreting and applying that rule consistently with the decisions of this court in the American Mills Case and later cases 10

Point II. Analysis of the cases cited by the court below on the side of its holding indicates that they do not in fact warrant it 15

Point III. The interpretation of Equity Rule 30 adopted by the court below is incompatible with the administration of justice in Federal equity cases 19

Appendix.

Equity Rules 26, 30 29

Equity Rules 31, 37 30

English Supreme Court Rules, Order 16, Rule 13 31

Brief and Argument on Behalf of U. S. Expansion Bolt Co. referred to in Opinion of Circuit Court of Appeals 33

Cases Cited.

Aetna Casualty & Surety Co. *v.* American Surety Co., 64 F. (2d) 577, ... 21
Allington *et al. v.* Shevlin-Hixon Co., 2 F. (2d) 747 17
American Brake Shoe & Foundry *v.* New York Rys. Co., 293 Fed. 612 24
American Mills Co. *v.* American Surety Co., 260 U. S. 360 ..... 9, 13
Atlas Underwear Co. *v.* Cooper Underwear Co., 210 Fed. 347 ..... 16, 17
Automotive Products Corp. v. Wolverine B. & S. Co., 15 F. (2d) 745 26
Berliner Gramophone Co. *v.* Seaman, 113 Fed. 750 27
Borne Scrymser Co. *v.* Gaffney Mfg. Co., 5 F. Supp. 405; affirmed 68 F. (2d) 104 18
Brill *v.* Washington R. & E. Co., 215 U. S. 527 26
Buckeye Incubator Co. *v.* Boling, 46 F. (2d) 965 26
Chester *v.* Life Association of America, 4 Fed. 487 17
Commercial Acetylene Co. *v.* Avery Portable Lighting Co., 159 Fed. 935; s. c. 152 Fed. 642 27
Continuous, etc., Corp. *v.* Eastern, etc., Co., 264 Fed. 340 27
Curran, *et al. v.* St. Charles Car Co., 32 Fed. 835 ..... 16, 17
Directoplate Corp. *v.* Huebner-Bleistein Patents Co., 44 F. (2d) 783 26
General Electric Co. *v.* Marvel, 287 U. S. 430 ....9, 13, 27
Great Northern R. Co. *v.* General Railway S. Co., 57 F. (2d) 457 26
Gulf Smokeless Coal Co. *v.* Sutton, Steele & Steele, 35 F. (2d) 433; cer. den. 280 U. S. 609; s. c. 77 F. (2d) 439 25
Hart Steel Co. *v.* Railroad Supply Co., 244 U. S. 294 26

Hewes & Potter *v.* Meyerson, 36 F. (2d) 1001 27
Hurn *v.* Oursler, 289 U. S. 238 27
Ide *v.* Ball Engine Co., 31 Fed. 901 27
Judicial Code, Sec. 48 (28 U. S. C. Sec. 109) 14
Kessler *v.* Eldred, 206 U. S. 285 26
Leary *v.* United States, 224 U. S. 567 21
Leaver *v.* K. & L. Box & Lumber Co., 6 F. (2d) 666 ..... 9, 17
Leman *v.* Krentler-Arnold Co., 284 U. S. 448 ..... 9, 13
Marconi Co. *v.* National Co., 206 Fed. 295 23
Montgomery v. Foy (1895), 2 Q. B. 321 14
Moore *v.* New York Cotton Exchange, 270 U. S. 593 ..... 9, 22, 27
Powell *et al. v.* Leicester Mills, 92 Fed. 115 16
Stoehrer & Pratt Dodgem Corp. *v.* Glen Echo Park Co., 15 F. (2d) 558 26
United States *v.* Boynton, 297 Fed. 261 22
Union Steam Pump Co. *v.* Manton-Gaulin Mfg. Co., 272 Fed. 773 27
U. S. Expansion Bolt Co. *v.* H. G. Kroncke Hdw. Co. *et al.*, 216 Fed. 186; aff'd. 234 Fed. 868 ..... 8, 10, 21
Vogue Co. *v.* Vogue Hat Co., 12 F. (2d) 991; cer. den. 273 U. S. 706 25
Wire Wheel Corp. of America *v.* Budd Wheel Co., 288 Fed. 308 13

Opinions of the Courts Below.

The opinion of the Circuit Court of Appeals (R. 35-38) is officially reported in 75 F. (2d) 472.

The opinion of the District Court (R. 26-28) is officially reported in — F. Supp. —.

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, A. D. 1935.

No. 11.

THE CHANDLER & PRICE COMPANY,
Petitioner,

vs.

BRANDTJEN & KLUGE, INC., and JOSEPH FREEMAN, INC.,
Respondents.

BRIEF FOR PETITIONER.

Statement of the Case.

The questions here involved have to do with the proper interpretation and applications of Federal Equity Rules 30 and 37.* They are:

* This Court on April 29, 1935 (R. 47), took jurisdiction of this case (under Sec. 347, U. S. C. Title 28) to review a decree of the Circuit Court of Appeals for the Second Circuit entered February 4, 1935 (R. 38). This decree affirmed a decree of the District Court for the Eastern District of New York dismissing petitioner's counterclaim. The petition for certiorari set forth among other jurisdictional grounds, a conflict between the Circuit Courts of Appeals for the Second and Seventh Circuits as to the interpretation of these rules.

Equity Rules 26, 30, 31 and 37 cited are printed in full in Appendix.

1. Are the provisions of Federal Equity Rule 30 relating to counterclaims restricted to counterclaims which *must* or *may* be pled by an original defendant in contradistinction to one who has been permitted to intervene as and has been made a *defendant* by order of court under Equity Rule 37?

2. Where the user of a single device has been sued in equity for infringement of a patent and the manufacturer thereof has, with leave of court, under Equity Rule 37, intervened as *a defendant*, and assumed the entire defense to protect its interests, is such manufacturer a *defendant* under Equity Rule 30 which states that the answer—

> "**must*** state in short and simple form any counterclaim arising out of the transaction which is the subject matter of the suit"

and

> "**may** without cross-bill, set up any set-off or counterclaim against the plaintiff which might be the subject of an independent suit in equity against him"?

3. Where the user of a single device has been sued in equity for infringement of a patent and the manufacturer thereof has been permitted, under Equity Rule 37, to intervene and has intervened as a defendant, and assumed the entire defense in order to protect its interests, *may* or *must* such defendant manufacturer assert in its answer, under Equity Rule 30, a counterclaim which it has against plaintiff for infringement of a different patent owned by such defendant relating to the same subject matter?

Respondent, Brandtjen & Kluge, Inc., filed a bill of complaint April 30, 1934, against Joseph Freeman, Inc., of Brooklyn, New York, in the United States District Court for the Eastern District of New York.

* Emphasis ours throughout this brief except where otherwise indicated.

charging infringement of United States Letters Patent No. 1,363,200, dated December 21, 1920, on account of the use of a certain automatic platen printing press (R. 2), which it purchased from petitioner, The Chandler & Price Company, of Cleveland, Ohio, who manufactured it (R. 7).

On June 22, 1934, petitioner, with the consent and approval of defendant* (R. 10, 11), petitioned for leave—

> "to intervene as a defendant, with leave to file an answer or other defense, and for such other and further relief as to the court seems just,"

on account of its great interest in the results of the controversy and because the defendant was (R. 10)—

> "merely a nominal defendant and has not sufficient interest in the result of this suit to properly defend the same on its own account."

After hearing, the District Court (Judge Inch) ordered (R. 14)—

> "that said The Chandler & Price Company be and it hereby is granted leave to intervene in said suit *as a party defendant,*"

and stated in his opinion (R. 14) that said company will—

> "be bound by the decree in this suit."

July 9, 1934, petitioner and Joseph Freeman, Inc. (original defendant), joined in and signed an answer (R. 1, 14), denying validity and infringement of the patent in suit. As a part of the answer, petitioner set up a counterclaim charging respondent with infringing another patent solely owned by it. The patent sued upon by respondent and the one asserted against it by petitioner relate to the same subject-matter (R. 29) and (R. 35)—

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* Omitted from record (R. 11, fol. 16) in printing. See record, as filed, p. 16.

"a single press may, and does, embody the features claimed in both patents as an invention."

This counterclaim admittedly (R. 37) is—

"in subordination to, and in recognition of, the propriety of the main proceeding."*

July 20, 1934 (R. 1, 25), respondent moved to dismiss the counterclaim, asserting that the intervening defendant had no right to file it and that it would result in confusing and delaying the original cause of action. It also moved to vacate Judge Inch's order permitting petitioner to intervene *as a defendant*.

The District Court (Judge Campbell) sustained respondent's motion to dismiss the counterclaim (R. 26-28) and decreed the dismissal without prejudice (R. 28). Judge Campbell (R. 26) referred the motion to vacate Judge Inch's order permitting intervention to that judge, but plaintiff did not again press this motion, and *petitioner* still *remains in the case as a defendant by virtue of Judge Inch's order of June 30, 1934* (R. 14).

Petitioner appealed (R. 31) to the Circuit Court of Appeals for the Second Circuit from the decree dismissing the counterclaim. This decree was affirmed February 4, 1935 (R. 38); petition for rehearing denied February 25, 1935 (R. 44).

Both the District Court and the Circuit Court of Appeals held that as the counterclaim introduced an issue not available to the original defendant, it could not be set up by the intervening defendant under

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* The pertinent portion of Equity Rule 37 reads:

"Anyone claiming an interest in the litigation may at any time be permitted to assert his right by intervention, but the intervention shall be in subordination to, and in recognition of, the propriety of the main proceeding."

Equity Rule 30.* The latter court, however, in its opinion stated (R. 37, 38):

> "It is true that the language of the Rule will bear the opposite construction; 'defendant' is apt enough to include 'intervening defendant.' It is also true that the Thirty-seventh Rule does not stand in the way."
>
> "Having to choose here between an interpretation which will let in all such counterclaims or shut them all out, we choose the second."

Grounds On Which Petitioner Was Made a Defendant.

The grounds on which Judge Inch granted petitioner leave to intervene and *made it a defendant* were duly sworn to by petitioner's president. These were not challenged by respondent. They show the common interest in the subject-matter of the bill and counterclaim, and that the petitioner is the real party against which respondent's attack is directed. These grounds are (R. 7):

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* The pertinent portions of Equity Rule 30 read:

"The defendant by his answer shall set out in short and simple terms his defense to each claim asserted in the bill, ... The answer may state as many defenses, in the alternative, regardless of consistency, as the defendant deems essential to his defense.

"The answer *must* state in short and simple form any counterclaim arising out of the transaction which is the subject-matter of the suit, and *may*, without cross-bill, set up any set-off or counterclaim against the plaintiff which might be the subject of an independent suit in equity against him, and such set-off or counterclaim, so set up, shall have the same effect as a cross-suit, so as to enable the court to pronounce a final decree in the same suit on both the original and the cross-claims.

"When in the determination of a counterclaim complete relief can not be granted without the presence of parties other than those to the bill, the court shall order them to be brought in as defendants if they are subject to its jurisdiction. (As amended May 4, 1925)."

(a) That petitioner was the manufacturer of the device complained of in the bill of complaint, namely, *one* automatic platen printing press, and had sold it to the defendant;

(b) That subsequently to placing such device on the market petitioner had on a number of occasions been advised by customers of threats made by respondent, either directly or indirectly, that suit for infringement would be brought against them if they purchased or used such device, with the result that petitioner had in a number of instances given bonds to purchasers of such devices;

(c) That the notice of infringement sent to defendant preliminary to the filing of such bill was referred to petitioner whose counsel inquired of respondent's counsel as to whether this notice was given merely as prelude to bringing suit, after having selected the Eastern District of New York as the preferred tribunal, rather than bringing suit directly against petitioner in the Northern District of Ohio, and in reply was informed by counsel for respondent by letter of April 10, 1934, that decision had been reached to file suit against defendant and adding:

> "The present condition of the calendar of the District Court of Brooklyn indicates that a suit for patent infringement can be reached for trial there at an earlier date than in most other districts, and that was a factor which influenced us in concluding to file suit in Brooklyn;"

(d) That in accordance with the promise of such letter respondent's counsel, under date of May 4, 1934, served on petitioner's counsel a copy of the bill of complaint as filed;

(e) That respondent threatened to bring suits against the users of said machines, thereby greatly in-

juring petitioner's business and unnecessarily harassing its customers;

(f) That respondent had never sued petitioner charging it with infringing the patent of the bill of complaint, although petitioner's device had been exhibited to respondent's counsel and with respondent's knowledge was marketed throughout the United States long before the filing of the bill;

(g) That the defendant—

> "is merely a nominal defendant and has not sufficient interest in the result of this suit to properly defend the same on its own account;" and

(h) That petitioner's intervention in this suit was necessary to the protection of its interests.

Petitioner Insists:*

(1) That the provisions of Equity Rule 30 relating to counterclaims are *not restricted to counterclaims which must or may be pled by an original defendant* in contradistinction to *one who has been permitted to intervene as and has been made a defendant* by order of court under Equity Rule 37;

(2) That Equity Rule 30 makes no distinction between a defendant named in the bill and one who became a defendant by intervention with leave of court;

(3) That petitioner became a defendant within the meaning of Equity Rule 30 by virtue of the proceedings on its petition for leave to intervene under Equity Rule 37 and the filing of the answer;

(4) That it will, therefore, be bound by the decree in this suit;

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* Assignment of Errors, R. 32, ff. 50, 51.

(5) That it, rather than the original defendant, is the real party in interest in this suit;

(6) That the counterclaim set forth in the answer should be permitted so that the entire controversy between the real parties in interest can be settled in a single suit as contemplated by Equity Rules 30 and 37.

Specification of Errors.

The Circuit Court of Appeals erred in the decision complained of:

1. In affirming the decree of the District Court dismissing the counterclaim.

2. In failing to reverse the decree of the District Court dismissing the counterclaim and to direct that court to enter an order vacating such decree and denying plaintiff's motion to dismiss the counterclaim.

3. In misinterpreting and misapplying Federal Equity Rule 30, holding that petitioner was not entitled to set up the counterclaim of the answer.

Summary of Argument.

The decision of the Circuit Court of Appeals conflicts with the decision of the Circuit Court of Appeals for the Seventh Circuit upon similar facts in *U. S. Expansion Bolt Co.* v. *H. G. Kroncke Co.*, 234 Fed. 868, as to the interpretation and application of Federal Equity Rules 30 and 37, and permitting a counterclaim such as petitioner seeks to assert here. This is admitted in the opinion of the former court. The United States District Court for the Northern District of Cali-

fornia has also been of two minds as to the interpretation of these rules as indicated in *Leaver* v. *K & L. Box & Lumber Co.*, 6 F. (2d) 666, 667.

Rejecting the precedent of the *Expansion Bolt* case, the court below, upon a so-called "balance of advantage," adopted a conflicting view (mostly dicta) of a group of cases based largely upon reasoning applicable only before the adoption of the present Federal Equity Rules, that the counterclaim introduced an issue not available to the original defendant and could not, therefore, be set up under Equity Rule 30; notwithstanding its recognition that the word "defendant" in that rule (R. 37)

> "is apt enough to include" an "intervening defendant"

and that

> "the Thirty-seventh Rule does not stand in the way,"

and repeated liberal interpretation of both rules by this court.

This holding, in effect, limits the scope of Equity Rule 30 by importing into it a distinction between a *defendant* permitted to intervene by order of court and an *original defendant*, and the saving of an exercise of discretion by the court to restrict the former to a counterclaim available to the latter. Such distinction is not expressed in the rule and is inconsistent with its scope and purpose as defined by this court in *American Mills Co.* v. *American Surety Co.*, 260 U. S. 360; *Moore* v. *New York Cotton Exchange*, 270 U. S. 593, 610; *Leman* v. *Krentler-Arnold Co.*, 284 U. S. 448; *General Electric Co.* v. *Marvel*, 287 U. S. 430. Compare Equity Rule 31.

The interpretation of Equity Rule 30 upon which the decision of the court below proceeds is incompatible with the administration of justice for it would impede the speedy and complete determination of the rights of the real parties in interest in a suit in equity; e. g., in a trade controversy of the character here presented where the bill of complaint presents but one phase of the matter in controversy and petitioner intervened to protect its trade in self-defense, so to speak, to present the broader aspects of the matter and is in reality a defendant *in invitum*, subject to all provisions of that rule.

ARGUMENT.

Point I.

The Interpretation of Equity Rule 30 Adopted By the Circuit Court of Appeals in This Case Is Inconsistent With the Plain Language of That Rule and Conflicts With the Decision of the Circuit Court of Appeals For the Seventh Circuit in the Expansion Bolt Case Interpreting and Applying That Rule Consistently With the Decisions of This Court in the American Mills Case and Later Cases.

Upon substantially similar facts both the District Court for the Western District of Wisconsin and the Circuit Court of Appeals for the Seventh Circuit in *United States Expansion Bolt Co.* v. *H. G. Kroncke Hdw. Co. et al.*, 216 Fed. 186, affirmed 234 Fed. 868, decided the precise issue here presented directly contrary to the decisions of the courts below.

In that case as in this, the manufacturer, a stranger to the jurisdiction, was permitted to and did intervene

as a defendant in a suit in equity against a purchaser of its product and joined with the original defendant in an answer setting up proper defenses and a counterclaim charging plaintiff with infringement of a patent owned by the manufacturer, and assumed the defense to protect its interests.

There as here, the original defendant was merely a nominal defendant and had not sufficient interest in the result of the suit to defend it properly on its own account; and this was recognized by plaintiff when suit was instituted and a copy of the bill of complaint furnished (in the *Expansion Bolt* case, to the manufacturer; in the instant case, to its attorneys).

In each case the plaintiff moved to dismiss the counterclaim on grounds including those now under consideration, objection to the ruling of the lower court was preserved in proper assignments of error on appeal to the Circuit Court of Appeals and the identical questions briefed, argued and submitted to the Circuit Court of Appeals (see reference in lower court's opinion to brief in *Expansion Bolt* case, (R. 37) reproduced, *infra*, pp. 33-55, inc.).

In the *Expansion Bolt* case the District Court overruled the motion to dismiss the counterclaim; the case, including the issues raised by the counterclaim, was tried; the counterclaim considered and the case decided on the merits; and on appeal the entire case was reviewed and the decision of the District Court affirmed as to the issues of patent infringement presented by the bill and counterclaim. Both courts necessarily passed on the questions raised, including the propriety of a counterclaim by a defendant who intervened as distinguished from an original defendant, and if there is anything obscure in the opinion of

either court in the *Expansion Bolt* case on this point, as the court below seems to think, that obscurity can only signify that in the *Expansion Bolt* case, both courts, interpreting and applying Equity Rule 30 in harmony with later decisions of this court as they did, were impressed with the obviousness of that interpretation of the rule which would permit matters of the character presented by the counterclaim as well as by the bill of complaint in that case—and in this case—to be disposed of in a single decree in one suit.

In the instant case both the District Court and the Circuit Court of Appeals arrived at a contrary conclusion. Rejecting the precedent of the *Expansion Bolt* case, as to the interpretation of Equity Rule 30, the court below, though recognizing (R. 37)

> "that the language of the Rule will bear the opposite construction; 'defendant' is apt enough to include 'intervening defendant',"

and that

> "the Thirty-seventh Rule does not stand in the way,"

upon a supposed "balance of advantage" adopted "the flatly contra" view of certain cases harking back to the discarded practice of the cross-bill under the old equity rules (and of admittedly uncertain reasoning), that a party who has become a defendant in a suit in equity by the route of intervention may not assert a counterclaim against a plaintiff which would not otherwise have been available to an original defendant. It thus, in effect, usurped a function of this court, and rewrote Equity Rule 30, promulgated by this court, to restrict its provisions relating to counterclaims in a manner contrary to the scope and purpose of the rule as defined by this court.

We know of no decision of this court interpreting Rule 30, or any other Equity Rule, which indicates a distinction between a *"defendant"* and an *"intervening defendant"* in respect to the filing of a counterclaim. The liberal doctrine of interpretation of the Equity Rules in general and Rule 30 in particular announced and uniformly adhered to by this court in fact points the other way.

In *American Mills Co.* v. *American Surety Co.*, 260 U. S. 360, this court said (p. 364):

> "The new Equity Rules were intended to simplify equity pleading and practice by limiting the pleadings to a statement of ultimate facts without evidence and by uniting in one action as many issues as could conveniently be disposed of."

Again in that case this court said of that rule (p. 365):

> "The rule should be liberally construed to carry out its evident purpose of shortening litigation."

In keeping with the policy thus expressed, counterclaims asserting causes of action in equity have been freely allowed, including counterclaims on patents wholly unrelated to the causes of action set forth in the bill of complaint. See *Wire Wheel Corp. of America* v. *Budd Wheel Co.* (C. C. A. 4), 288 Fed. 308, 309 (the late Chief Justice Taft sitting as Circuit Justice).

Further departure from the old practice of the cross-bill in the application of the doctrine of the *American Mills* case to counterclaims upon patents unrelated to those of the bill of complaint under Equity Rule 30 appears in *Leman* v. *Krentler-Arnold Co.*, 284 U. S. 448, and *General Electric Co.* v. *Marvel*, 287 U. S. 430, holding that the plaintiff by the filing of his bill of complaint submits himself (284 U. S. 448, 451)

> "to the jurisdiction of the court with respect to all the issues embraced in the suit including those pertaining to the counterclaim of the defendants,"

irrespective of whether the counterclaim arise out of the subject-matter of the plaintiff's suit or contain allegations of the jurisdictional requisites of Section 48 of the Judicial Code (28 U. S. C. Sec. 109).

The amendment of Rule 30 in 1925 to provide for the bringing in of additional parties,

> "when in the determination of a counterclaim complete relief cannot be granted without the presence of parties other than those to the bill,"

was in keeping with the doctrine of the *American Mills* case and these later decisions of this court.

An interpretation of Rule 30 including a defendant admitted by intervention, without distinction in respect to the filing of a counterclaim, not only requires no expansion of that doctrine but is fully consistent with the plain language of the rule.*

The inconsistency of the interpretation of Rule 30 adopted by the court below is convincingly shown by its opinion. It admits the susceptibility of Rule 30 to the interpretation for which petitioner contends and that so interpreted petitioner's counterclaim is proper; it admits the desirability of importing into the rule the saving of an exercise of discretion by the court permitting a counterclaim by the intervener in cases where (R. 36):

> "the intervener is practically forced into the suit,"

as here, but states that (R. 36)

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* Compare the English chancery practice treating an intervening defendant as if originally made a defendant. Order 16, Rule 13 of the Rules of the Supreme Court. See Appendix, *infra*, p. 31. A counterclaim by an intervening defendant was permitted in *Montgomery* v. *Foy* (1895), 2 Q. B. 321.

> "there is no warrant for such a treatment of the rule as it stands";

notwithstanding that (R. 37),

> "upon what we deem to be the balance of advantage,"

it does in fact interpret the rule adversely to petitioner's contention by indulging in just "such a treatment of the rule." For it imports into the rule both a qualification distinguishing a defendant, who entered by intervention, from an original defendant and, in effect, the saving of an exercise of discretion by the court to limit a defendant who has entered by the route of intervention to a counterclaim available to an original defendant, there being no language in the rule susceptible of such interpretation. Thus that court in effect does what it disapproves as unwarranted.

Again, if the language of Rule 30

> "is apt enough to include 'intervening defendant'"

and is barren of any contrary indication, and

> "the Thirty-seventh Rule does not stand in the way,"

there would seem to be no occasion for invoking a "balance of advantage" as a controlling factor, no justification for differently interpreting Rule 30 as if Rule 37 did stand in the way.

Point II.

Analysis of the Cases Cited By the Court Below on the Side of Its Holding Indicates That They Do Not in Fact Warrant It.

Of the six cases cited in the opinion on the side of the court's holding only one can fairly be said to be pertinent in fact and that reverts to the obsolete practice of

the cross-bill. Two antedate the adoption of the Equity Rules and reflect an old doctrine. The others contain only dicta.

Curran, et al. v. *St. Charles Car Co.* (E. D. Mo.), 32 Fed. 835 (1887), in which the court denied leave to an intervening defendant to file a cross-bill for unfair competition on the ground that the equitable relief sought was not available to the original defendant, was decided some twenty-five years before the adoption of Equity Rule 30 and ought not to be followed in interpreting or applying that rule, which eliminated the cross-bill of the earlier practice.

Powell et al. v. *Leicester Mills* (E. D. Pa.), 92 Fed. 115 (1899), also decided long before the adoption of the present Equity Rules, denied intervening defendants leave to amend their answer to set up a defense not available to the original defendants. The opinion does not indicate whether or not the particular defense would have been proper subject-matter of a counterclaim under Rule 30, and the case cannot be regarded as affecting the interpretation of that rule.

Atlas Underwear Co. v. *Cooper Underwear Co.* (E. D. Wis.), 210 Fed. 347, did not decide the point now under consideration. True, leave to intervene was sought by persons desiring to set up a counterclaim for patent infringement, but the court ruled that they had no such interest in the subject of the suit as to entitle them to be admitted as parties defendant, and merely adverted to the possibility that if the original defendant (p. 355):

> "were alone seeking to assert a counterclaim of the character noted, it might present the interesting question whether it should be allowed in view of the ruling of this court in the recent case of *Adamson* v. *Shaler*" (E. D. Wis.), 208 Fed. 566.

Moreover, the ruling in the case referred to was rejected by this court in the *American Mills* case.

Allington et al. v. *Shevlin-Hixon Co.* (D. Del.), 2 F. (2d) 747, likewise did not decide the point now presented. The court granted plaintiffs' motion to dismiss the bill and denied the manufacturer leave to intervene because it did not seek to become a party to the cause to obtain affirmative relief therein until after the motion to dismiss the bill had been filed. Said the court (p. 749):

> "In the case at bar Burns did not seek to become a party to the cause or to obtain affirmative relief therein until after plaintiffs' motion to dismiss the bill had been filed. I think he comes too late."

It expressly refrained from determining the right otherwise of the manufacturer to secure affirmative relief that was not available to the original defendant, although suggesting a query in that respect.

Chester v. *Life Association of America* (W. D. Tenn.), 4 Fed. 487 (1880), cited in *Allington* v. *Shevlin-Hixon Co.* (D. Del.), 2 F. (2d) 747, was decided more than thirty years before the adoption of the present Equity Rules. Denying intervention upon the mere refusal of consent by the original plaintiff, it reflects a doctrine quite the contrary of Rule 37, which must be considered as discarding that doctrine. The case should be regarded as of historical interest only.

Leaver v. *K. & L. Box & Lumber Co.* (N. D. Cal.), 6 F. (2d) 666, limited an intervening manufacturer seeking to interpose a counterclaim based on unfair competition to such affirmative relief as was open to the defendant, citing *Allington* v. *Shevlin-Hixon Co.* (D. C.), 2 F. (2d) 747; *Atlas Underwear Co.* v. *Cooper Underwear Co.* (D. C.), 210 Fed. 347; and *Curran* v. *St. Charles Car Co.* (C. C.), 32 Fed. 835; and characterized as erroneous the earlier decision of the same court to the contrary in the apparently unreported case of

Leaver v. *Fox*. Obviously unsound and provincial is the statement of the court that (p. 668)—

> "the reasons for a rule limiting intervening defendants to such affirmative relief as is open to the defendant of record are particularly cogent in the case before us, where, if permitted, a stranger to the original proceeding will convert a simple action for infringement against a single vendee into a suit for damages to the business of a manufacturer whose field of operations apparently is the whole United States, and whose interest here is only incidental."

Rather than incidental, the interest of the manufacturer is vital, as pointed out elsewhere in this brief.

Borne Scrymser Co. v. *Gaffney Mfg. Co.* (W. D. S. C.), 5 F. Supp. 405, affirmed (C. C. A. 4), 68 F. (2d) 104, struck from the original defendant's answer a counterclaim charging infringement of a patent acquired subsequent to the filing of the bill and denied leave to intervene to the owner of the legal title to the patent of the counterclaim on the ground that neither the petition nor the proposed bill of intervention concerned anything but the subject-matter of the counterclaim. In other words, the petition to intervene failed to show such an interest in the controversy as to comply with Equity Rule 37. The case is clearly not in point, for that intervener had an interest in the controversy and that the patent of intervener's counterclaim was acquired prior to the filing of the bill here are not questioned.

Surely such cases reverting as they do to the discarded practice of the cross-bill, should not be viewed as pointing the way to the determination of this important question of practice.

Point III.

The Interpretation of Equity Rule 30 Adopted By the Court Below Is Incompatible With the Administration of Justice in Federal Equity Cases.

The question presented is one of more than mere private rights. Pertaining as it does to an important question of practice, it involves the larger question of public rights. It is a matter of public policy how a controversy of this character, for example, shall be dealt with; whether narrowly and piecemeal, with perhaps too tender regard for the attacking litigant, or liberally with a view to expeditious, complete settlement.

Equity Rule 30 provides for the setting up of two types of counterclaim; one, permissible; the other, mandatory. In respect to these two types it makes no distinction between a defendant named in the bill and a defendant admitted by order of court. A defendant of the latter class equally with one of the former *may* set up a counterclaim of the first type and *must* set up

> "any counterclaim arising out of the transaction which is the subject-matter of the suit."

A defendant of either class, failing to set up a counterclaim of the second type, is subject to a plea of estoppel should he later assert it. Either, if in doubt, can only protect himself by setting up his counterclaim and obtaining a ruling of the court on the question. That is what petitioner here has endeavored to do.

Notwithstanding its adoption of an interpretation of Equity Rule 30 restricting an intervening defendant to a counterclaim available to an original defendant the court below expressly recognized (R. 36)

> "that at times the intervener is practically forced

> into the suit, as much as though the plaintiff sought him out and served him,"

and further acknowledged (R. 36) that

> "conceivably it might be desirable to give the court discretion in such cases to treat the situation as though the plaintiff had joined him *in invitum.*"

Thus that court apparently would allow a counterclaim by an intervening defendant under some circumstances, in the exercise of its discretion, if it were not erroneously persuaded by conception of a so-called

> "balance of advantage"

to an interpretation of Equity Rule 30 excluding such an exercise of discretion. The instant case should be regarded, we submit, as affording an example of a type of case not only calling for the favorable exercise of discretion, if the matter were discretionary under that rule, but actually falling within the category of cases comprehended by that rule in which the filing of a counterclaim by even an intervening defendant is clearly permissible, if not, indeed, mandatory.

The real controversy is a trade controversy. Respondent and petitioner are competitors. By suing a user of petitioner's device respondent has questioned petitioner's right to make, sell and use the invention of its patent and the correlative right to exclude others from so doing, in a concrete instance. If petitioner is to protect that right, it cannot sit back and indulge the sniping tactics of a competitor exemplified in the bill of complaint. To do so would permit its competitor to whittle away its trade and patent rights. It has no alternative but to defend the suit and promptly assert its rights, and should be regarded as

in the case *in invitum*. See *Leary* v. *United States*, 224 U. S. 567, 574, 576, and *Aetna Casualty & Surety Co.* v. *American Surety Co.* (C. C. A. 4), 64 F. (2d) 577, 582, recognizing an absolute right of intervention on the part of one having a direct and immediate interest in the subject of the suit.

And adequate defense and proper assertion of its rights on the part of the petitioner include the presentation of the counterclaim which it has against the respondent for infringement of its patent upon a feature of the device which respondent has attacked. Rule 30 seems to permit it if it does not require it. *U. S. Expansion Bolt Co.* v. *Kroncke Hardware Co.* (D. Wis.), 216 Fed. 186; aff'd (C. C. A. 7), 234 Fed. 868.

> "The transaction which is the subject-matter of the suit"

in a case such as this, for example, where the manufacturer of the accused device, the real party in interest, with leave according to accepted practice, has become a defendant and assumed the defense, may be regarded as embracing more than the mere use of such device by the defendant designated in the bill of complaint.

A step toward recognition of this is found in the opinion of the Circuit Court of Appeals (R. 35):

> "It is to be assumed that a single press may, and does, embody the features claimed in both patents as an invention."

As to this common subject-matter, which that court thus says embodies the features of both patents, respondent claims the right to make, sell and use and to exclude defendant, and, in effect, petitioner under the patent of the bill. Likewise, petitioner claims the

right to make, sell and use this common printing press under the patent of the counterclaim and to exclude plaintiff from so doing. A single question may thus be said to be presented, namely, who has the right to make, sell and use the press involved, respondent under the patent of the bill, or petitioner, and through it defendant under the patent of the counterclaim? This question can only be answered by permitting the counterclaim to stand and letting the case go to a single decree on that one issue.

Moore v. *New York Cotton Exchange*, 270 U. S. 593, 610, is pertinent:

> " 'Transaction' is a word of flexible meaning. It may comprehend a series of many occurrences, depending not so much upon the immediateness of their connection as upon their logical relationship."

If, as Judge Tuttle said in permitting an intervening defendant to set up a cross-complaint seeking affirmative relief against another defendant in *United States* v. *Boynton* (E. D. Mich.), 297 Fed. 261, 268,

> "the very facts relied on by the plaintiff in support of the decree sought by it might also entitle the interveners to the relief prayed by them,"

why under converse circumstances should not a defendant who entered by intervention, as here, be permitted to set up a counterclaim seeking affirmative relief against plaintiff?

To assert its patent in an independent suit in another jurisdiction would involve a seemingly unnecessary additional suit, complicating and extending rather than simplifying and shortening litigation of what is in reality a single controversy.

The right of defendant, a purchaser of the press in question from petitioner and its resulting license to use same may best be asserted in connection with the claim of right on the part of petitioner to a monopoly of the right to make and sell as well as use the press in question under the patent of the counterclaim. This is not giving to defendants any greater latitude than is given to a plaintiff under Equity Rule 26.

Petitioner, through its counterclaim, merely brings the controversy in these broader aspects before the court for settlement in a single decree and in a jurisdiction of respondent's own choosing. This course seems to be clearly within the scope and purpose of Rule 30 as interpreted by this court in the cases above cited. There is no showing to the contrary. That the controversy assumes greater proportions than respondent intended and embraces two patents instead of one ought not to be a controlling factor necessitating the dismissal of the counterclaim.

By filing his bill of complaint, under the Equity Rules a plaintiff is in court, not as arbiter of either parties or issues, but to meet such issues as *the court* in the application of those rules may deem proper. This is so whether the issues were introduced by plaintiff in his bill of complaint, or by a defendant named in the bill of complaint, or by a defendant admitted under order of court, in his answer or counterclaim, without distinction, for none is indicated by those rules or by statutes applicable.

In *Marconi Co.* v. *National Co.*, 206 Fed. 295, District Judge Chatfield of the Eastern District of New York pointed out that if a liberal construction of the rule renders it difficult to try together all the questions thus presented by bill and counterclaim (p. 302),

> "The court must ultimately determine what issues can be properly disposed of in a 'final judgment' in the suit and order severance accordingly."

Judge Chatfield in that case overruled a motion to strike out the counterclaim and concluded his opinion by saying:

> "In the present case, while difficulty is suggested by the nature of the subject-matter and the number of claims, it does not seem that for a trial without a jury greater difficulty would be found than in disposing of four suits in what might be termed a series, and there seems to be no reason, beyond the court's natural desire to simplify its work, for striking out the counterclaim in the present action. If it should appear that some connection of events brings this counterclaim or the cause of action upon the defendant's patents into the category of matters arising 'from the same transaction' as the plaintiff's own cause of action, then assuredly the court should not force the parties into the possible position of having their rights in the future shut off by the mandatory language of the first part of the section."

As Judge Mayer said in *American Brake Shoe & Foundry* v. *New York Rys. Co.* (S. D. N. Y.), 293 Fed. 612, 624:

> "Equity . . . is always alert to do what is just and fair, and in the light of new developments and experience meets new problems and new conditions with appropriate decrees."

The propriety of a counterclaim by one of several defendants, irrespective of any interest of other defendants therein, is inferred in Equity Rule 31—

> ". . . If the counter-claim is one which affects the rights of other defendants they or their solicitors shall be served with a copy of the same . . ."

Petitioner, having intervened as and become a defendant and assumed the defense of the cause asserted in the bill, will, of course, be bound by the decree. If the decree be adverse it may be compelled, under the holding of the court below, to discontinue the manufacture of the accused device while respondent proceeds to make its device without interruption pending a decree in another jurisdiction in a suit against respondent on the patent which petitioner would set up in its counterclaim, thus perhaps giving respondent an important, if temporary, trade advantage that would not arise if the counterclaim were permitted and both patents litigated in the same suit.

In *Gulf Smokeless Coal Co.* v. *Sutton, Steele & Steele* (C. C. A. 4), 35 F. (2d) 433,* plaintiff in a patent infringement suit was allowed to amend its bill of complaint to conform to the proof and to have an injunction against a stranger to the jurisdiction, brought into the suit at the trial on the ground that it had manufactured and installed the accused device and was under contract to defend any infringement suits against its customer (the original defendant) relating thereto.

The fact that petitioner here became a defendant by intervention would not prevent its being similarly dealt with. *Vogue Co.* v. *Vogue Hat Co.* (C. C. A. 6), 12 F. (2d) 991; cer. den. 273 U. S. 706. Indeed, intervention under Rule 37 imposes no distinguishing characteristic beyond "subordination to" and "recognition of the propriety of the main proceeding." And, if subject to liability to the plaintiff without restriction, due regard for the interests of all parties would seem to require that a defendant who entered by intervention should be treated as a defendant generally and en-

* Cer. den. 280 U. S. 609; re-affirmed 77 F. (2d) 439, holding the manufacturer liable generally for damages (trebled) and profits.

titled to avail himself of all the instrumentalities of defense at his command, affirmative as well as negative in character. See *Automotive Products Corp.* v. *Wolverine B. & S. Co.* (C. C. A. 6), 15 F. (2d) 745.

A defendant entering by intervention, furthermore, though the real party in interest as in the case of petitioner, if restricted to a counterclaim available to an original defendant, in addition to the burden of determining at its peril whether or not it has any counterclaim arising out of the transaction which is the subject-matter of the suit, under the ruling of the court below, must likewise determine whether or not that counterclaim is available to an original defendant; an added burden which he should not be required to bear.

Public policy dictates speedy and complete determination of the rights of the real parties in interest in litigation in the manner which petitioner is attempting to follow in this case. The practice for which petitioner contends not only permits complete determination of the matter in controversy in one suit, but conduces to the prevention of much litigation through the application of the doctrine of *Kessler* v. *Eldred*, 206 U. S. 285. It thus conforms with public policy.

Hart Steel Co. v. *Railroad Supply Co.*, 244 U. S. 294.

Brill v. *Washington R. & E. Co.*, 215 U. S. 527.

Great Northern R. Co. v. *General Railway S. Co.* (C. C. A. 8), 57 F. (2d) 457, 459.

Buckeye Incubator Co. v. *Boling* (C. C. A. 6), 46 F. (2d) 965, 966.

Directoplate Corp. v. *Huebner-Bleistein Patents Co.* (C. C. A. 7), 44 F. (2d) 783.

Stoehrer & Pratt Dodgem Corp. v. *Glen Echo Park Co.* (C. C. A. 4), 15 F. (2d) 558, 559.

Commercial Acetylene Co. v. *Avery Portable Lighting Co.* (C. C. A. 7), 159 Fed. 935; s. c. (E. D. Wis.), 152 Fed. 642.

Berliner Gramophone Co. v. *Seaman* (C. C. A. 4), 113 Fed. 750.

Union Steam Pump Co. v. *Manton-Gaulin Mfg. Co.* (D. Me.), 272 Fed. 773, 774.

Continuous, etc., Corp. v. *Eastern, etc., Co.* (E. D. N. C.), 264 Fed. 340.

Hewes & Potter v. *Meyerson* (S. D. N. Y.), 36 F. (2d) 1001, 1002.

Ide v. *Ball Engine Co.* (C. C. Ill.), 31 Fed. 901.

The court below grants that it is desirable in some cases (and surely this must be one of them) to treat an intervening defendant as an original defendant. It is inherent in the exercise of its jurisdiction that a court, once having acquired jurisdiction of the cause and the parties, may proceed to the determination of all matters arising, notwithstanding the failure of the cause upon which jurisdiction attached, in the face of Sec. 48 of the Judicial Code (*Moore* v. *New York Cotton Exchange*, 270 U. S. 593, 608; *General Electric Co.* v. *Marvel*, 287 U. S. 430; *Hurn* v. *Oursler*, 289 U. S. 238). Certainly mere considerations such as the aggressor's selection of the jurisdiction and the defendant, or of "the balance of advantage," ought not to dictate a contrary interpretation of Equity Rule 30 in the absence of anything in its language indicating such interpretation.

The interpretation of Equity Rule 30 adopted by the courts below is inconsistent with the language of that rule. It is opposed to the spirit and purpose of that rule and of Equity Rule 37. It is incompatible with the administration of justice in federal equity cases.

We respectfully submit that petitioner's counterclaim should be permitted to stand and that the decree ordered by the Circuit Court of Appeals for the Second Circuit should be reversed with directions accordingly.

WALLACE R. LANE,
JOHN F. OBERLIN,
Counsel for Petitioner.

APPENDIX.

Equity Rules.

26. JOINDER OF CAUSES OF ACTION. The plaintiff may join in one bill as many causes of action, cognizable in equity, as he may have against the defendant. But when there are more than one plaintiff the causes of action joined must be joint, and if there be more than one defendant the liability must be one asserted against all of the material defendants, or sufficient grounds must appear for uniting the causes of action in order to promote the convenient administration of justice. If it appear that any such causes of action can not be conveniently disposed of together, the court may order separate trials.

30. ANSWER—CONTENTS—COUNTERCLAIM. The defendant by his answer shall set out in short and simple terms his defense to each claim asserted in the bill, omitting mere statements of evidence and avoiding general denials, but specifically admitting, denying or explaining the facts upon which the plaintiff relies, unless he is without knowledge, in which event he shall so state, and this shall be treated as a denial. Averments other than those of value or amount of damage, when not denied, shall be deemed confessed, except as against an infant, lunatic or other person non compos and not under guardianship, but the answer may be amended, by leave of the court or judge, upon reasonable notice, so as to put any averment in issue, when justice requires it. The answer may state as many defenses, in the alternative, regardless of consistency, as the defendant deems essential to his defense.

The answer must state in short and simple form any counterclaim arising out of the transaction which is the subject-matter of the suit, and may, without cross bill, set up any set-off or counterclaim against the plaintiff which might be the subject of an independent suit in equity against him, and such set-off or counterclaim, so

set up, shall have the same effect as a cross-suit, so as to enable the court to pronounce a final decree in the same suit on both the original and the cross-claims.

When in the determination of a counterclaim complete relief can not be granted without the presence of parties other than those to the bill, the court shall order them to be brought in as defendants if they are subject to its jurisdiction. (As amended May 4, 1925.)

31. Reply—When Required—When Cause at Issue. Unless the answer assert a set-off or counterclaim no reply shall be required without special order of the court or judge, but the cause shall be deemed at issue upon the filing of the answer, and any new or affirmative matter therein shall be deemed to be denied by the plaintiff. If the answer include a set-off or counterclaim, the party against whom it is asserted shall reply within ten days after the filing of the answer, unless a longer time be allowed by the court or judge. If the counterclaim is one which affects the rights of other defendants they or their solicitors shall be served with a copy of the same within ten days from the filing thereof, and ten days shall be accorded to such defendants for filing a reply. In default of a reply, a decree pro confesso on the counterclaim may be entered as in default of an answer to the bill.

37. Parties Generally—Intervention. Every action shall be prosecuted in the name of the real party in interest, but an executor, administrator, guardian, trustee of an express trust, a party with whom or in whose name a contract has been made for the benefit of another, or a party expressly authorized by statute, may sue in his own name without joining with him the party for whose benefit the action is brought. All persons having an interest in the subject of the action and in obtaining the relief demanded may join as plaintiffs, and any person may be made a defendant who has or claims an interest adverse to the plaintiff. Any person may at any time be made a party if his presence is necessary or proper to a complete determination of the

cause. Persons having a united interest must be joined on the same side as plaintiffs or defendants, but when anyone refuses to join, he may for such reason be made a defendant.

Anyone claiming an interest in the litigation may at any time be permitted to assert his right by intervention, but the intervention shall be in subordination to, and in recognition of, the propriety of the main proceeding.

English Supreme Court Rules.

Order 16, Rule 13:

> "Where a defendant is added or substituted, the writ of summons shall be amended accordingly and the plaintiff shall, unless otherwise ordered by the court or a judge, file a copy of the writ as amended, and serve the new defendant with such amended writ or notice in lieu of service thereof in the same manner as original defendants are served, and the proceedings shall be continued as if the new defendant had originally been made a defendant." As amended July, 1925.

IN THE

UNITED STATES CIRCUIT COURT OF APPEALS

FOR THE SEVENTH CIRCUIT.

OCTOBER TERM, A. D. 1914.

U. S. EXPANSION BOLT COMPANY, *Appellant,* vs. H. G. KRONCKE HARDWARE COMPANY, DIAMOND EXPANSION BOLT COMPANY, HENRY B. NEWHALL, *Appellees.*	No. 2320.
H. G. KRONCKE HARDWARE COMPANY, DIAMOND EXPANSION BOLT COMPANY and HENRY B. NEWHALL, *Appellants,* vs. U. S. EXPANSION BOLT COMPANY, *Appellee.*	No. 2331.

Appeals from the District Court of the United States for the Western District of Wisconsin.

BRIEF AND ARGUMENT ON BEHALF OF U. S. EXPANSION BOLT CO.

STATEMENT OF CASE.

MAY IT PLEASE THE COURT:

U. S. Expansion Bolt Co., a New York corporation, filed suit in the United States District Court for the Western District of Wisconsin, against the H. G. Kroncke Hardware Co., a Wisconsin corporation, charging infringement of the McCreery Patent, No. 623,809, in the sale of one-part ex-

pansion shields of lead, made by the Diamond Expansion Bolt Co.

The Diamond Expansion Bolt Co., a New York corporation, became a party defendant by leave of court, and filed answer jointly with the Kroncke Company. Subsequently, at the trial of the case, Mr. H. B. Newhall, President of the Diamond Company, also intervened to become a defendant. Leave was granted to the two defendants first named to set up in their answer three counterclaims against the U. S. Expansion Bolt Co., based upon alleged infringement of (1) the Pleister Patent, No. 973,539, (2) the Cook Patent, No. 685,820, and (3) alleged unfair competition. To the filing of these counterclaims the U. S. Company vigorously objected. The answer of the U. S. Company to these counterclaims reiterated its objections to the right of the Diamond and Kroncke Companies to assert these counterclaims for jurisdictional as well as other reasons. The U. S. Company in its answer to these counterclaims also pleaded a certain cross counterclaim based on unfair competition by the Diamond Company.

In the decision of Judge Sanborn on final hearing, the charges of infringement under all three patents in suit were dismissed, although each of the patents was held to be valid. The charge of unfair competition against the U. S. Company was sustained, and an injunction entered, which was later suspended on the filing of a supersedeas bond. The cross counterclaim against the Diamond Company was dismissed as not supported by the evidence.

Each side has taken an appeal to this court on such points as were decided adversely to it, so that all the issues of this controversy may be discussed comprehensively in this brief.

ERRORS RELIED UPON BY THE U. S. COMPANY.

The appeal of the U. S. Company from Judge Sanborn's decision is based on the following errors:

1. In holding that the one part shields of the Diamond Company do not infringe claim 3 of the McCreery patent set forth in the bill of complaint, or in any way violate the U. S. Company's rights thereunder.

2. In holding that the Diamond Expansion Bolt Co. and Henry B. Newhall, two of the defendants by intervention, were entitled to present counterclaims against the U. S. Company based on alleged infringements of two patents and unfair competition, and that the U. S. District Court for the Western District of Wisconsin could assume jurisdiction over the U. S. Company in respect to these matters, or any of them.

3. In holding that the Diamond Company's Cook and Pleister patents are good and valid in law, and in not holding that the said patents and each of them, are invalid.

4. In not holding that the principles of invention embodied in the McCreery Expansion Bolts, as publicly used in Cleveland since 1903, apply to two-part shields, such as are defined by the Diamond Company's Pleister patent in suit.

5. In holding that the court at Madison, Wis., could exercise jurisdiction in respect to charges of unfair competition between the U. S. Company and the Diamond Company, the principal defendant, both citizens of the State of New York, after the U. S. Company had been found not to infringe upon the patent rights of the Diamond Company.

6. In holding that the U. S. Company has infringed any rights of the Diamond Company, based on alleged unfair competition, in the sale of the U. S. E. one part shields (lead), and U. S. E. two part shields (iron).

7. In holding that the Diamond Company is entitled to equitable relief of any kind as prayed for in the counterclaim based on unfair competition.

8. In holding that the rights of the U. S. Company, secured to it by the Zifferer Patents, Nos. 1,136,638 and 1,138,345, to manufacture its present form of one part shields and two part shields, is abridged by the alleged trade rights of the Diamond Company acquired by user.

9. In holding that any of the acts and doings of the U. S. Company in connection with the sale of its one part shields (lead) and two part shields (iron) are unfair or improper, or tend in any way to constitute unlawful competition.

10. In holding that the U. S. Company's cross counterclaim against the Diamond Company, based upon unfair competition, is not sustained by the evidence.

BRIEF OF ARGUMENT.

THE FILING OF COUNTERCLAIMS BY THE DIAMOND COMPANY WAS IMPROPER IN THIS CASE.

INTERVENTION BY THE DIAMOND COMPANY WAS A PRETEXT FOR INJECTING COUNTERCLAIMS.

At the outset we wish to discuss certain questions of procedure and propriety as well as jurisdiction, arising out of the filing by the Diamond Company of its three counterclaims.

Italics appearing throughout this brief are ours, except where specified otherwise.

The Diamond Company's motion to intervene and set up counterclaims was opposed from the beginning. At no time since, has the U. S. Company waived its objections to such an improper procedure. The original defendant, the Kroncke Company, is a hardware concern at Madison, Wisconsin, and was sued by the U. S. Company for selling expansion bolts manufactured by the Diamond Company, a New York corporation. The suit, as originally contemplated, involved but one straight, clean-cut issue of patent infringement. Jurisdiction was based upon the statutory provision that:

> "The Circuit Courts of the United States shall have jurisdiction, in law or in equity, in the district of which the defendant is an inhabitant, or in any district in which the defendant, whether a person, partnership, or corporation, shall have committed acts of infringement and have a regular and established place of business." (U. S. Statutes, 1897, Sec. 629.)

In its petition to intervene, the Diamond Company, under the guise of an allegation in the answer, set up that it is the owner of the Cook Patent, No. 685,820; that it is the exclusive licensee of the Pleister Patent, No. 973,559; and that these patents are being infringed by the U. S. Company, although the Kroncke Company has no interest in these patents or the

enforcement of rights thereunder. In the same indirect way the Diamond Company alleged certain trade-rights which it claims to have acquired in the form of its expansion bolts, and that these trade-rights are being damaged by the U. S. Company through acts of unfair competition, although the Kroncke Company is not involved in the enforcement of these rights. The answer prayed for positive relief against the U. S. Company by way of set-off or counterclaim under Rule 30. The petition to intervene was obviously presented for the purpose of imposing in the U. S. District Court for the Western District of Wisconsin jurisdiction of a claim of unfair competition between two corporate citizens of the *State of New York*, and claims of patent infringement as well, in a district where the U. S. Company maintains no established place of business.

The institution by the Diamond Company of a *direct* proceeding would be totally unavailing to impose jurisdiction in the U. S. District Court at Madison, either in respect to charges of patent infringement or unfair competition. And it follows necessarily that the Diamond Company is equally unable in an *indirect* proceeding to impose jurisdiction in this court over these issues, against the protest of its adversary, through intervention or any other means.

RULE AS TO INTERVENTION.

Equity rule, No. 37, after stating the circumstances in which parties may intervene proceeds as follows:

> "Any one claiming an interest in the litigation may at any time be permitted to assert his right by intervention, but the intervention shall be in *subordination to*, and in recognition of, *the propriety of the main proceeding.*"

Obviously this rule confers jurisdiction on the court to determine whether the petitioner seeks to intervene for the purpose of asserting some right respecting the matter in

issue in the main proceeding, or for some other ulterior purpose. There could be no objection that the Diamond Company, as manufacturer of the goods complained of, should intervene and submit itself to the jurisdiction of the Court at Madison, Wisconsin, for the sole purpose of *defending* against the charge of infringement made by the U. S. Company, although even that privilege has been denied on certain occasions.

The petition to intervene was filed, not to further a determination of the issues in the main proceeding, and not "in subordination to, and in recognition of, the propriety" of such issues, but rather for the purpose of injecting into this case three separate and distinct causes of action in which the original defendant, the Kroncke Company, has *no interest whatsoever*. And the situation which has developed as a result of the injection of these counterclaims is remarkable indeed. The bill of complaint has been dismissed, and the case has lost all semblance of its original aspects, having proceeded to final determination upon a set of issues which are totally unrelated to those set forth in the bill of complaint filed by the U. S. Company. In consequence of this, Judge Sanborn has been obliged to exercise jurisdiction in respect to three causes of action, none of which are predicated upon anything within the province of his court under the statute. Intolerable confusion and conflict of jurisdiction may well arise from the situation thus presented.

THE SET-OFFS OR COUNTERCLAIMS.

The second paragraph of Equity Rule 30 reads as follows:

> "The answer must state in short and simple form any counterclaim arising out of the transaction which is the subject matter of the suit, and may, without cross bill, set out any set-off or counterclaim against the plaintiff which might be the subject of an independent suit in equity against him, and such set-off or counterclaim, so set up, shall have the same effect as a cross suit, so as to

enable the court to pronounce a final judgment in the same suit both on the original and cross claims."

Even if the original defendant, the Kroncke Company, were the owner of the patents under which the Diamond Company has prayed for relief, and the owner of the alleged trade rights which form the basis of the unfair competition counterclaim, and even if no question of intervention were involved, nevertheless, under the construction of Rule 30 which has been universally adopted by the courts, no set-off or counterclaim could properly be urged in the answer in the present case.

Rule 30 has been differently interpreted by the courts. In certain of the eastern districts, it appears that a counterclaim, under a patent *owned by the defendant*, may be set up and tried as an issue in the main proceeding. Judge Geiger, however, in the Wisconsin District, has taken a different view, and in the case of *Adamson* v. *Shaler*, 208 Fed., 566, has held that such a proceeding was improper in any circumstances. The syllabus in this case reads as follows:

"The provision of new equity rule 30 that a defendant may set out in his answer 'any set-off or counterclaim against the plaintiff which might be the subject-matter of an independent suit in equity against him' does not authorize the defendant, in an infringement suit, to set up as a counterclaim a cause of action for infringement of another patent, wholly unrelated to the subject matter of the bill."

Among other things Judge Geiger says:

"One of these results would be—if the broad construction be not again limited to specific cases, such as patent cases where diversity of citizenship is immaterial—to indirectly *enlarge the statutory jurisdiction.*"

But Judge Geiger, irrespective of jurisdictional consideration, holds that the rule was not intended to permit the combining of unrelated causes of action under patents owned respectively by the complainant and defendant.

This is also the view taken by Judge Dodge in the Massa-

chusetts District in the case of *Terry Steam Turbine Co.* v. *B. F. Sturtevant Co.*, 204 Fed., 103.

But even those courts which have recognized the propriety, in patent cases, of permitting the defendant to set up his patent in a counterclaim, have clearly recognized the jurisdictional limitations which must, in all cases, condition such a practice. This is clearly indicated in the case of *Marconi Wireless Telegraph Co.* v. *National Electric Signalling Co.*, 206 Fed., 295. Judge Chatfield, in this case which expresses the most liberal interpretation of Rule 30 states:

> "It is evident that the Supreme Court cannot by rule confer jurisdiction, and that they have not intended so to do. It is evident that when they say 'causes of action in equity,' they mean only such causes of action as the court could entertain. We shall not attempt to classify or define the various causes of action of which the United States courts are given jurisdiction by statute, but for the purposes of this motion, and for the interpretation of the section, we shall confine consideration to causes of action which could be heard by the same court as the one acting in a suit brought by a plaintiff for infringement of patent, occurring within this district. Surely a cause of action in equity between the plaintiff and defendant, if both reside in this district, could not be brought in the United States court, unless it arises under the patent laws or some other statute of the United States giving this court jurisdiction. Manifestly, therefore, only such causes of action could be cognizable in equity under rule 26 in this court, and only such causes of action could be interposed by a defendant as counterclaims and set-offs to an action on a patent.
>
> It has been uniformly held in this circuit and in many other courts of the United States, that an action brought under the patent laws cannot be made to carry with it violations of other rights, of which the court does not have jurisdiction through diversity of citizenship, or under some other statute of the United States. *National Casket Co.* v. *New York & Brooklyn Casket Co.* (C. C.), 185 Fed., 533. The new equity rules do not enlarge this limit. Rule 26, except as modified by the necessities of convenience, allows the joinder of as many causes of action as

can be properly disposed of and covered by 'a final judgment.', But these are only such actions as could be brought separately, and rule 26 does not compel the union of dissimilar actions, nor the inclusion in one decree of a number of various kinds of equitable relief, with various sets of accountings.

By analogy, rule 30 seems to be intended to prevent useless litigation and to serve the convenience of parties by providing for the inclusion of as many causes of action (which the court of equity can entertain within its statutory jurisdiction) as could properly be disposed of in one litigation, by cross suits, and which could be included in the necessary injunction orders and by a complete accounting in one decree."

Although we think Judge Geiger's reasoning in the Adamson-Shaler case is conducive to the better practice, and although his decision establishes the practice in the Wisconsin District, nevertheless, even if this court is disposed to adopt the interpretation of the rule laid down by Judge Chatfield, none of the counterclaims can be set up, for the reason that only such causes of action can be indirectly set up by counterclaim as might be the subject of a direct proceeding in the court *having jurisdiction* of the subject-matter.

The joint answer of the Kroncke and Diamond Companies alleges the pendency in the U. S. District Court for the Southern District of New York of a suit under the Cook Patent, entitled *Diamond Expansion Bolt Co.* v. *U. S. Expansion Bolt Co.* The pendency of this suit indicates a recognition on the part of the Diamond Company of the propriety of suing the U. S. Company in the New York District, and since the answer contains no averment that the U. S. Company maintains an established place of business in Wisconsin, Judge Sanborn was obviously without jurisdiction in the premises.

The answer of the Diamond Company further contains an allegation concerning the pendency of a suit in the New York Supreme Court entitled *Diamond Expansion Bolt Co.* v. *U. S. Expansion Bolt Co.*, charging unfair competition in trade.

Such a controversy is one involving citizens of the same State. The Federal Court can have no jurisdiction of this issue for any purpose whatever, and it is manifestly improper for such an issue to be injected in any way, shape or form into a case commenced by the U. S. Company against a mere dealer.

It is true that the answer filed by the Diamond Company contains a joker in the form of an averment that the Kroncke Company has been damaged to the extent of $2,000.00 by alleged unfair competition of the U. S. Company. But this averment in the light of all the facts in the case, is a mere pretense whose evident purpose is to make a showing of interest in the Kroncke Company, and a right to maintain a counterclaim of this kind independent of any alleged rights asserted on behalf of the Diamond Company. The farcical character of the Kroncke Company's "counterclaim" is manifest when we consider that its answer contains no averment whatever concerning the acquisition of any trade rights which would constitute a basis for the maintenance of an unfair competition suit. There is no sufficient averment moreover, that the Diamond Company's goods have become widely known in the State of Wisconsin through the efforts of the Kroncke Company; and no averment whatever to the effect that the Diamond Company's goods have acquired a trade reputation through the efforts of the Kroncke Company. On the contrary, the answer is eloquent in its statements concerning what has been done by the Diamond Company in building up a business in the District of Wisconsin, but is significantly silent concerning any activity in the Kroncke Company in enlarging the business. Nor has one scintilla of evidence been adduced showing that the Kroncke Company has any interest in the unfair competition issues, and not a single witness connected with the business of that company has been produced by either party.

Irrespective, therefore, of all the questions concerning the right of a *dealer* to maintain an unfair competition proceed-

ing respecting trade-rights acquired primarily by a *manufacturer*, which we very much doubt in any case, nevertheless, in the present answer there is an entire absence of allegations setting forth any rights exclusively in the Kroncke Company, which would constitute a proper basis for an unfair competition proceeding. The presentation of counterclaims should therefore have been denied in toto, as lacking in averments which would constitute a basis for granting several relief in behalf of the Kroncke Company.

Even if the court were disposed to adopt the liberal rather than the strict interpretation of Rule 30, respecting counterclaims, and were to take issue with Judge Geiger respecting the interpretation of that rule, and even if the court were to recognize the general right of a defendant in a patent case to answer to a charge of infringement with a countercharge of unfair competition, nevertheless, it would be manifestly improper, under the very meager joint averments of the answer, to permit the Kroncke Company to raise this issue independently in the present case. The averments concerning unfair competition matters are directed almost entirely to the question of damages to the Kroncke Company, but no averments are found respecting any right to *independently* maintain this or any other cause of action. For this reason, we respectfully submit and insist that the counterclaims should have been disallowed, first, because they relate to matters and things in which the Kroncke Company has no interest, and second, because the Kroncke Company failed to set up in the answer facts which would entitle it, independently of the Diamond Company, to maintain any such counterclaims or set-offs.

UNITED STATES CIRCUIT COURT OF APPEALS.

FOR THE SEVENTH CIRCUIT.

I, FREDERICK G. CAMPBELL, Clerk of the United States Circuit Court of Appeals for the Seventh Circuit, do hereby certify that the foregoing photostated pages, numbered from 33 to 55, inclusive, contain a true copy of the first twelve pages of Brief and Argument on behalf of the U. S. Expansion Bolt Co. filed on the 20th day of December, 1915, in the cases of

U. S. Expansion Bolt Company,
Appellant,
vs.
H. G. Kroncke Hardware Company, Diamond Expansion Bolt Company and Henry B. Newhall,
Appellee.

H. G. Kroncke Hardware Company, Diamond Expansion Bolt Company and Henry B. Newhall,
Appellants,
vs.
U. S. Expansion Bolt Company,
Appellee.

Nos. 2320 and 2331, October Term, 1914, as the same remains upon the files and records of the United States Circuit Court of Appeals for the Seventh Circuit.

IN TESTIMONY WHEREOF I hereunto subscribe my name and affix the seal of said United States Circuit Court of Appeals for the Seventh Circuit, at the City of Chicago, this 12th day of August, A. D. 1935.

Seal Circuit Court of Appeals Seventh Circuit

FREDERICK G. CAMPBELL,
Clerk of the United States Circuit Court of Appeals for the Seventh Circuit.
By K. J. CARRICK,
Chief Deputy Clerk.

FILE COPY

FILED
APR 17 1935

Supreme Court of the United States

OCTOBER TERM, 1934.

No. [redacted] 11

THE CHANDLER & PRICE COMPANY,
Petitioner,

vs.

BRANDTJEN & KLUGE, INC., and
JOSEPH FREEMAN, INC.,
Respondents.

BRIEF FOR RESPONDENT BRANDTJEN & KLUGE, INC., IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

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INDEX.

	PAGE
Statement of Case	1
The Questions Presented on This Petition	3
Summary of Argument	4
Point I: There is no conflict of decision	5
Point II: The case presents no question of public interest which calls for review by this Court	9
Conclusion	11
Appendix	12

TABLE OF CASES.

Allington v. Shevlin-Hickson Co., 2 F. (2d) 747, D. C., Del.	5
Angier v. Anaconda Wire & Cable Co., 48 F. (2d) 6[illegible], D. C., Del.	5
Atlas Underwear Co. v. Cooper Underwear Co., 210 Fed. 347, D. C., E. D., Wisc.	5
Borne Scrymser Co. v. Gaffney Manufacturing Co., 5 F. 405, D. C., W. D., South Carolina (affirmed 68 F. [2d] C. C. A. 4th)	6
Curran v. St. Charles Car Co., 32 Fed. 835, C. C., E. D., Mo.	5
Demulso Corp. v. Tretolite, et al., 74 F. (2d) 805, C. C. A. 10th	9
DeSousa v. Crocker First National Bank, 23 F. (2) 118, D. C., N. D., Calif.	5

PAGES

Foote v. Parsons Non-Skid Co., 196 F. 951, 953, C. C. A. 6th ____ 9

General Electric Co. v. Marvel Metals Co., 287 U. S. 430 ____ 4

Hopkins v. Lancaster, 254 Fed. 190, D. C., N. D., Ala. 6

Kardo Co. v. Adams, 231 Fed. 950, 958, C. C. A. 6th ____ 6

Layne and Bowler Corp. v. Western Well Works, Inc., 261 U. S. 387, 393 ____ 8

Leaver v. K. & L. Box & Lumber Co., 6 F. (2d) 666, D. C., N. D., Calif. ____ 5, 8

Powell, et al., v. Leicester Mills, 92 Fed. 115, C. C., E. D., Pa. ____ 6

Prince v. Childs Co., 23 F. (2d) 605, C. C. A. 2 ____ 6

Souffront v. La Compagnie de Sucreries, 217 U. S. 475, 486 ____ 10

Tretolite Co. v. Darby Petroleum Corp., 5 F. Supp. 445, D. C., N. D., Oklahoma ____ 6

U. S. Expansion Bolt Co. v. H. G. Kroncke Hardware Co., 234 Fed. 868, C. C. A. 7th ____ 3, 7, 12

U. S. Expansion Bolt Co. v. H. G. Kroncke Hardware Co., 216 Fed. 186, 188 ____ 7

Wenborne-Karper Dryer Co. v. Dort Motor Car Co., 300 Fed. 404, D. C., E. D., Mich. ____ 6

IN THE

SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1934.

No. 809.

THE CHANDLER & PRICE COMPANY,

Petitioner,

vs.

BRANDTJEN & KLUGE, INC., and JOSEPH FREEMAN, INC.,

Respondents.

BRIEF FOR RESPONDENT BRANDTJEN & KLUGE, INC., IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

Statement of Case.

The petitioner seeks a review of a decision of the Circuit Court of Appeals for the Second Circuit (R., 60) which affirmed a decision of the District Court for the Eastern District of New York (R., 40) dismissing a counterclaim presented by an intervener, The Chandler & Price Company, against Brandtjen & Kluge, Inc., respondent here and plaintiff below.

The suit is for patent infringement and was brought by Brandtjen & Kluge, Inc., against Joseph Freeman, Inc.,

as sole defendant. Plaintiff's patent, No. 1,363,200, deals with automatic printing presses. Freeman, the defendant, is a printing concern in Brooklyn, N. Y., and uses there the press that is charged to infringe. Freeman's press was made by the Chandler & Price Company of Cleveland, Ohio, the petitioner here.

Leave to intervene was granted to Chandler, over plaintiff's objection (R., 21), on Chandler's representation that as manufacturer of defendant's press it had such an interest in the litigation as Equity Rule 37 requires. The nature of Chandler's interest was shown by the petition for leave to intervene which represented:

> (1) that as manufacturer of the accused press Chandler feared the business consequences of a decision holding the press to be an infringement;
>
> (2) that Freeman had not a sufficient interest to defend the suit properly;
>
> (3) that Chandler was obligated to defend Freeman and expected to do so openly, and
>
> (4) that Chandler had given bonds to other customers (not to Freeman however) to hold them harmless in the event of their being sued.

These representations of fact were coupled with the assertion that Freeman evidently was only a nominal defendant (Petition for Leave, paragraph 5, R., 13-15).

The petition for leave to intervene did not mention any purpose on Chandler's part to present a claim against the plaintiff. The claim against plaintiff was presented as a counterclaim after the intervention. In this counterclaim plaintiff is charged with infringement of the Root patent No. 1,849,314 which is owned by Chandler alone and in which Freeman, the defendant, has no interest.

The plaintiff's bill of complaint has no allegations as to Chandler and seeks no relief against it. Plaintiff's cause of action is based entirely on Freeman's use of the

infringing press. Thus although Chandler is aligned as a defendant because of its interest adverse to the plaintiff, it is not a defendant in the sense of being the party against whom the bill seeks relief.

On plaintiff's motion (R., 38-39) this counterclaim was dismissed (R., 44). On intervener's appeal, the dismissal was affirmed by the Circuit Court of Appeals for the Second Circuit (R., 60). A petition for rehearing was denied (R., 69).

The single point which this respondent presented to the Court of Appeals in opposing the counterclaim was that an intervener is without right to present a cause of action which is not available to the original defendant and which is both independent of the plaintiff's cause of action against the original defendant and unrelated to the protection of the intervener's interest upon which the intervention was based. The Court of Appeals in sustaining respondent held that, so far as the Equity Rules are concerned, it might be permissible for the court to allow such a counterclaim, but that it was not a matter of right with the intervener and that, all things considered, it was the better practice to confine the intervener to the original scope of the intervention.

The Questions Presented on This Petition.

1. Is there a conflict between this case and the case of *U. S. Expansion Bolt Co.* v. *H. G. Kroncke Hardware Co.*, 234 Fed. 868, C. C. A. 7th, or any conflict of decision requiring review by this Court?

2. Is the decision of the Court below, which refused to permit an intervener to counterclaim on a cause of action not available to the original defendant and not related to the protection of the interest justifying intervention, such a matter of public interest as to require review by this Court?

Contrary to what the petition suggests, there is no question here of the application of *General Electric Co.* v. *Marvel Metals Co.*, 287 U. S. 430,* for the dismissal of the intervener's counterclaim was not based on a venue or jurisdictional point but on the settled rule that the intervener has a limited scope of activity which excludes the bringing of such a counterclaim as was brought here and would exclude a like counterclaim even against a resident plaintiff.

Summary of Argument.

1. There is no conflict between the decision of the Circuit Court of Appeals in this case and the decision of any other Circuit Court of Appeals. On the issue presented, the decision of the Circuit Court of Appeals in this case and a number of decisions in the district courts in suits for patent infringement, are all in accord. Also, there is the same accord of decision on the same issue in cases not involving patent infringement. In one suit for patent infringement referred to in the Circuit Court of Appeals' opinion as a "dubious exception" the facts were such that the issue decided in this suit might have been decided, but such issue does not appear to have been pressed seriously upon the court's attention and the decisions of the district court and the Circuit Court of Appeals in that case are devoted wholly to other issues.

2. No question of great public interest or any substantial public interest is presented in this case.

***In General Electric Co. v. Marvel Metals Co., 287 U. S. 430, this Court ruled that as against the defendant named in the bill, a non-resident plaintiff in bringing suit waives his privilege under the venue statutes (28 U. S. C. 109, 112-114) of being sued in his own district and therefore becomes subject to counterclaim by such defendant.**

POINT I.

There is no conflict of decision.

Far from being the subject of any conflict of decision, the rule applied in dismissing the counterclaim here is a rule that is well settled and is without exception in the law today.

In the particular fact situation of this case, that of an attempt to counterclaim on the part of an intervening manufacturer in a patent suit against one of his customers, there have been two reported district court decisions denying the right to counterclaim when the counterclaim was not available to the original defendant and had nothing to do with the intervener's interest in the suit.

Curran v. *St. Charles Car Co.*, 32 Fed. 835, C. C., E. D., Mo.

Leaver v. *K. & L. Box & Lumber Co.*, 6 F. (2d) 666, D. C., N. D., Calif.

In cases which differed only in that the original suit was not for patent infringement, the same decision has been reached:

Atlas Underwear Co. v. *Cooper Underwear Co.*, 210 Fed. 347, D. C., E. D., Wis.

DeSousa v. *Crocker First National Bank*, 23 F. (2) 118, D. C., N. D., Calif.

In numerous cases involving questions of the status of an intervener, the same rule has been stated as settled law, although the particular facts did not call for its application as matter of decision:

Angier v. *Anaconda Wire & Cable Co.*, 48 F. (2d) 612, D. C., Del.

Allington v. *Shevlin-Hickson Co.*, 2 F. (2d) 747, D. C., Del.

Tretolite Co. v. *Darby Petroleum Corp.*, 5 F. Supp. 445, D. C., N. D., Oklahoma.

Borne Scrymser Co. v. *Gaffney Manufacturing Co.*, 5 F. Supp. 405, D. C., W. D., South Carolina (affirmed 68 F. [2d] C. C. A. 4th).

On the related question of the right of an intervener to present defenses not available to the original defendant, the rule is the same that the scope of activity permitted to the intervener cannot exceed that which is open to the original defendant:

Prince v. *Childs Co.*, 23 F. (2) 605, C. C. A. 2.

Powel, et al., v. *Leicester Mills*, 92 Fed. 115, C. C., E. D., Pa.

Hopkins v. *Lancaster*, 254 Fed. 190, D. C., N. D., Ala.

Until the present case, there had been no decision by a Circuit Court of Appeals on the particular question presented in this case, but there was ample precedent in *Prince* v. *Childs Co.*, 23 F. (2d) 605.

It is immaterial, of course, that some of the cases cited were decided before the adoption of the present federal equity rules, since Equity Rule 37 simply declared the settled law. *Kardo Co.* v. *Adams*, 231 Fed. 950, 958 C. C. A. 6; *Wenborne-Karper Dryer Co.* v. *Dort Motor Car Co.*, 300 Fed. 404, D. C., E. D., Mich.

Against the authority of the foregoing cases, two instances of conflict are asserted by petitioner. The first is the case of *U. S. Expansion Bolt Co.* v. *H. G. Kroncke Hardware Co.*, 234 Fed. 868, decided by the Circuit Court of Appeals for the Seventh Circuit and referred to in the opinion of the Court of Appeals below as the "dubious exception". That was a suit for patent infringement in which the manufacturer, The Diamond Expansion Bolt Co.,

intervened and counterclaimed. The plaintiff, a non-resident of the district, moved to dismiss this counterclaim. The basis of the motion was a point of venue or jurisdiction, as shown in the district court opinion (216 Fed. 186, 188):

> "Jurisdiction in this suit being based upon the act of 1897, providing that District Courts shall have jurisdiction in the district of which the defendant is an inhabitant, or in any district in which the defendant has committed acts of infringement and has a regular and established place of business, plaintiff argues that this court can have no jurisdiction of the two patent suits sought to be brought here by the Diamond Company through its counterclaims, or of the suit for unfair competition covered by the other counterclaim."

This motion to dismiss was denied. On the plaintiff's appeal, this denial was sustained. What the Court of Appeals decided on that appeal is shown very plainly by its opinion. It termed it a question of "jurisdiction". It disposed of the question by saying that on the facts of the case the venue privilege had been waived. In an appendix we quote in full that part of the Court's opinion which deals with the point.

There can be no question at all but that the *Expansion Bolt* case is not a decision on the point presented and decided in this case. That case does not deal with the status of the intervener or with his right to present a claim which is not available to the defendant against whom the plaintiff seeks relief and which in no way serves to protect the interest that justified the intervention. In the *Expansion Bolt* case, the Court of Appeals for the Seventh Circuit decided the single point that the plaintiff by the act of bringing the suit and by certain statements

made on the record by its counsel, had waived the venue privilege which it set up in opposition to the counterclaim.

The opinion of the Court of Appeals in the present case shows that the Court did not regard its view as being in conflict with the *Expansion Bolt* case. Judge Hand's comment on that case was:

> "However, both courts were not there really concerned with the question now before us, but with how far a plaintiff ever abandons his privilege when he sues; a matter which the Supreme Court had not then settled. Mr. Lane has furnished us with copies of the brief on the appeal from which it does indeed appear that the argument depended in part upon the fact that the defendants were interveners, but it would be wholly gratuitous to imput to the Circuit Court of Appeals any intention to decide the point."

Petitioner's attempt to make out a conflict by presenting certain pages from the appellant's brief in the *Expansion Bolt* case is answered, we think, by the language of Judge Hand just quoted. The existence of a conflict of decision should be apparent in the opinions and it should not be necessary to probe into the arguments of counsel to discover its existence. Certainly there is not shown in this case that "real and embarrassing conflict of opinion and authority between the circuit courts of appeal" in the absence of which this Court has declared it will not grant a writ of certiorari. *Layne and Bowler Corp.* v. *Western Well Works, Inc.*, 261 U. S. 387, 393.

The other asserted conflict is said to appear in the opinion of the district court in *Leaver, et al.*, v. *K. & L. Box & Lumber Co.*, 6 F. (2) 666, N. D., Cal. The opinion in that case shows that there is not even a conflict between two district courts, in fact, no conflict at all, but simply a change of view on the part of a single district court, the change being to the view on which the present case was decided.

POINT II.

The case presents no question of public interest which calls for review by this Court.

The question decided by the Court of Appeals in this case, and sought to be reviewed here, is not of public interest or importance. It is a question of the exercise of the district court's discretion in controlling an intervention which it was within the court's power to refuse entirely. In the exercise of this discretion the court declined to permit the intervener to go beyond the scope of activity necessary to protect its declared interest. It dismissed the counterclaim by which intervener sought to inject new issues going beyond the protecting of that interest. This is a ruling that affects no one except the parties to this suit and involves no question of public interest. Indeed it is doubtful if the matter is appealable at all since the grant of leave to intervene is itself discretionary and not appealable. *Demulso Corp.* v. *Tretolite, et al.*, 74 F. (2) 805, C. C. A. 10th.

The situation here is a practical one. The manufacturer of the accused machine was allowed to intervene on a showing of the usual interest or concern which such a manufacturer has as to what may happen to his business if the defendant's machine is found to infringe. Such intervention is a matter of favor, not of right. *Foote* v. *Parsons Non-Skid Co.*, 196 F. 951, 953, C. C. A. 6th. It is not an intervention by which a third party seeks to present an affirmative claim against some fund or property undergoing administration. In fact, it is somewhat anomalous to permit this intervention at all since if the third party did not intervene his legal position would not be affected by the decree. However, such intervention although unusual has been permitted in some cases as a matter of discretion, with the condition imposed that the intervener may not introduce new issues, new defenses or

new claims (cases *supra*, pp. 5-6). What this sort of intervention really amounts to is a formal recognition of what would happen in any event by reason of the manufacturer's open defense of the suit. He is made subject to the decree by direct action instead of by operation of the rule of *Souffront* v. *LaCompagnie des Sucreries, etc.*, 217 U. S. 475, 486-7.

In this practical situation, the decision in this case reached a practical result by weighing the considerations for and against widening the scope of the intervener's activity. It found the balance of advantage, on the facts of this case, to lie in favor of confining the intervener to the defense of the suit against Freeman, preferring this to letting the intervener enlarge the case to litigate questions alien to the original defendant and affecting only the relative rights of intervener and plaintiff. This did not trench upon the intervener's range of action as an intervener seeking to protect his interest in the litigation. That interest can be protected fully and only by seeing to it that the defense of the suit is well conducted. By no process can the super-positioning of an independent suit be availing to aid the defense of the original suit.

Such a matter is not governed by the Equity Rules and the decision does not involve any question respecting their interpretation. It deals with a special fact situation that is governed by considerations of what is a desirable regulation of the status and activity of an intervener whose presence in the case is a matter of favor. The decision in this case, being of this nature, is not a matter of public interest or importance so as to call for review by this Court.

CONCLUSION.

It is respectfully submitted that the petition for a writ of certiorari should be denied.

Respectfully,

DEAN S. EDMONDS,
CURT VON BOETTICHER, JR.,
JOHN HOXIE,
Counsel for Respondent,
Brandtjen & Kluge, Inc.

APPENDIX.

Excerpt from the opinion of the Court of Appeals for the Seventh Circuit in *U. S. Expansion Bolt Co.* v. *H. G. Kroncke, etc., Co.*, 234 Fed. 868, 870-1:

> "The question which first demands attention is that of jurisdiction. Assuming the decision of the District Court as to infringement of the McCreery patent to be correct, had the District Court power to adjudicate upon appellees' two patents and the counterclaim for unfair competition on the facts as presented? There can be no doubt that, as was said in Peninsular Iron Company v. Stone, 121 U. S. 631, 7 Sup. Ct. 1010, 30 L. Ed. 1020:
>
> > 'It is therefore a suit to which citizens of Ohio are parties on one side and a citizen of Ohio a party on the other, with interests so conflicting that the relief prayed cannot be had without keeping them on opposite sides of the matter in dispute.'
>
> To all intents and purposes, so far as the counterclaims are concerned, appellant was a defendant and entitled to have the question of infringement in the Pleister and Cook patents tried in the district in which it was an inhabitant or in any district in which it had infringed, and where it had an established place of business, provided it did not waive its right thereto. First National Bank v. Morgan, 132 U. S. 141, 10 Sup. Ct. 37, 33 L. Ed. 282.
>
> While suit could not, in the first instance, have been maintained in Wisconsin by the Diamond Expansion Bolt Company against appellant over its objection upon either the Pleister or the Cook patent, we have no doubt but that appellant waived that objection by its action in bringing the suit in the Wisconsin district

as well as by statements of counsel shown on pages 1085 and 1087 of the record in the premises with regard to the patents of the counterclaims. The proceeding was one for infringement of a patent in each case. Of such a case some federal court had jurisdiction. So that no question of federal jurisdiction is involved. Appellant had the right to waive the question of privilege, and did so. We think the District Court proceeded properly to treat those matters as coming within the provisions of new equity rule 30 as pertaining to the matter of jurisdiction in equity and not to federal jurisdiction."

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CHARLES ELMORE CR

Supreme Court of the United States

OCTOBER TERM, 1935.

No. 11.

THE CHANDLER & PRICE COMPANY,
Petitioner,

vs.

BRANDTJEN & KLUGE, INC., and
JOSEPH FREEMAN, INC.,
Respondents.

BRIEF FOR BRANDTJEN & KLUGE, INC., RESPONDENT.

DEAN S. EDMONDS,
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INDEX.

PAGE

Statement of the Case ____ 1

The Questions ____ 2

Summary of Argument ____ 4

Argument on the First Question ____ 5

POINT I.

There is nothing either in the nature of the suit or in the acts of respondent to support the view that petitioner is in the case in invitum and that it is in effect the party sued although not charged in the bill ____ 5

POINT II.

Uniform decisions establish the principle that an intervener is not permitted to go beyond what protects his interest on which the intervention was based ____ 8

POINT III.

This established principle invoked here by respondent is a wise and reasonable one. Intervention is a privilege in our law, set up to accomplish the definite end which justifies it, and therefore should not be made the means of attaining a further and unrelated end. To depart from that principle would lead to undesirable and burdensome results in this and in other cases for the present situation is not a special one ____ 11

PAGE

POINT IV.

If there is to be no rule of law restricting an intervener's actions to what will protect his interest in the suit, then the allowance of a wider scope of action should be a matter of trial Court discretion in each case. Therefore the decision below should be affirmed in any event as a reasonable exercise of a discretionary power ——— 20

ARGUMENT ON THE SECOND QUESTION.

Petitioner's claim should be dismissed in any event because respondent is a non-resident plaintiff and has neither expressly nor impliedly waived its venue privilege as against petitioner, an intervener, whom it did not and could not sue in the district of this suit ——— 22

Statutes:

Judicial Code, Section 48 (28 U. S. C. 109) ——— 22

Text Books:

Langdell, "Equity Pleading" ——— 23
Simkins, "A Federal Equity Suit" (1934) ——— 16

AUTHORITIES CITED.

Cases:

	PAGES
Allington v. Shevlin-Hixon Co., 2 F. (2d) 747	10
Angier v. Anaconda Wire & Cable Co., 48 F. (2d) 612	10
Atlas Underwear Co. v. Cooper Underwear Co., 210 Fed. 347	10
Board of Drainage Com'rs v. Lafayette Southside Bank, 27 F. (2d) 286, 296	10
Borne Scrymser Co. v. Gaffney Mfg. Co., 5 F. Supp. 405, 68 F. (2d) 104	10
Chester v. Life Ass'n of Amer., 4 Fed. 491, 492	15, 16
Credits Commutation Co. v. United States, 177 U. S. 311	12
Curran v. St. Charles Car Co., 32 Fed. 835	8
DeSousa v. Crocker First Natl. Bank, 23 F. (2d) 118	10
Gaines v. Rock Spring Distilling Co., 179 Fed. 544, 555	13
General Electric Co. v. Marvel, 287 U. S. 430	16
Glass v. Woodman, 223 Fed. 621	16
Gregory v. Pike, 67 Fed. 845	15, 16
Hopkins v. Lancaster, 254 Fed. 190	11
Kessler v. Eldred, 206 U. S. 285	6
Leaver v. K. & L. Box & Lumber Co., 6 F. (2d) 666	9, 16
Leman v. Krentler-Arnold, 284 U. S. 448	22-24
Marshall v. Bryant Elec. Co., 185 Fed. 499	6
Minot v. Mastin, 95 Fed. 734, 739	12
Montgomery v. Foy (1895), 2 Q. B. 321	9
Moser v. Marsden (1892), 1 Ch. 487; 9 R. P. C. 214	15
Powell, et al., v. Leicester Mills, 92 Fed. 115	11
Prince v. Childs Co., 23 F. (2d) 605	11

PAGES

Rhinehart v. Victor Talking Machine Co., 261 Fed. 646, 648 ____ 21

Ring Ref., etc., Co. v. St. Louis Ice, etc., Co., 67 Fed. 535, 539 ____ 13

Smith v. Gale, 144 U. S. 509 ____ 14

Souffrant v. La Compagnie, etc., 217 U. S. 475, 486-7 ____ 13

Toler, et al., v. East Tennessee, etc., Ry. Co., 67 Fed. 168, 174 ____ 21

Tretolite Co. v. Darby Petroleum Corp., 5 F. Supp. 445 10

U. S. Expansion Bolt v. H. G. Kroncke Hardware Co., 216 Fed. 186 ____ 8, 24

U. S. Expansion Bolt v. H. G. Kroncke Hardware Co., 234 Fed. 868 ____ 8, 24

Young Co. v. McNeal-Edwards Co., 283 U. S. 398 ____ 23

Supreme Court of the United States

OCTOBER TERM, 1935.

No. 11.

THE CHANDLER & PRICE COMPANY,

Petitioner,

vs.

BRANDTJEN & KLUGE, INC., and JOSEPH FREEMAN, INC.,

Respondents.

BRIEF FOR BRANDTJEN & KLUGE, INC., RESPONDENT.

Statement of the Case.

The material facts are the following. The suit was brought by respondent, a non-resident of the district of suit, charging the defendant with patent infringement in the *use* of a certain printing press. The trial Court, in the exercise of a discretionary power, permitted petitioner, the manufacturer of the defendant's press, to intervene in order to protect its interest in the suit by conducting its customer's defense. Thereafter the trial Court dismissed a pleading called a counterclaim in which petitioner charged respondent with infringement of a patent owned by it alone. The Circuit Court of Appeals affirmed the dismissal.

The Questions.

1. Should petitioner be permitted to enlarge the suit by injecting a claim of its own against respondent, the claim being one that has nothing to do with the interest upon which the intervention was based?

2. If the intervener has a right to assert such a claim, is there the proper jurisdictional ground for the assertion of it in the district of this suit, respondent not being a resident of the district and having no regular and established place of business in the district?

The first question is not limited to the case of a non-resident plaintiff. The second arises if the first is answered in the affirmative; or it may be considered as primary, for a decision on it favorable to respondent would require an affirmance.

Our statement of the principal question calls for explanation. It differs from petitioner's because we can not agree that petitioner has stated the issue.

The question of petitioner's right as an intervener to present a claim against respondent is not a question of the interpretation of Equity Rules 30 and 37 and requires no choice between a liberal and a strict construction of those rules. It is either a question of the substantive law of intervention, calling for an inquiry as to whether the intervener has the status and attendant rights of an original defendant or has a special status with rights conditioned by the purpose of his intervention, or else it is a question of a practical nature to be left open as a matter of law and answered in the exercise of trial court discretion in each particular case.

No suggestion of the answer to either question is to be found in the wording of Rule 30. That rule says that a counterclaim, depending on its nature, either *may* or *must* be included in the answer. Preceding that, it states the

form and contents of the answer and there only does it use the word "defendant." It says "The defendant shall set out * * his defense to *each claim asserted in the bill* * *." There can be no question as to what "defendant" means. He is the one against whom the bill asserts claims. And the question presented is whether petitioner is to be given the same status as that defendant. If it is, it is not because of the words appearing in the rule or because of liberality in the construction of the rule, but because of something in the law of intervention.

Before Rule 30 comes into the question, there must be a decision on the primary question of petitioner's status as an intervener and the right of an intervener to take any action whatever that goes beyond what is required to protect the interest that justified the intervention. Since that primary question is not limited to the assertion of claims, it can not be decided by reference to a rule which deals *only* with the assertion of claims. Again, this rule can not govern until petitioner shows that there is a claim against it to be countered.

Nor does Equity Rule 37 give the answer. It deals with the basis of intervention and has no provision regarding the intervener's status or rights after intervention. But it does reflect the governing principle that an intervener can do only what serves to protect his interest in the litigation. The statement in the rule is not broadly to the effect that one "having an interest in the litigation" may intervene, but is simply that what he may do is "assert his right by intervention", which carries the implication that he is not to do more.

In respondent's view, then, the terms of neither rule give the answer to the decisive question. The answer lies outside the rules, in the considerations set out in what follows.

Summary of Argument.

On the First Question.

There is nothing either in the nature of the suit or in the acts of respondent to support the view that petitioner is in the case *in invitum* and that it is in effect the party sued although not charged in the bill. This being the case, petitioner's attempt to inject a claim beyond the intervention purpose was properly denied. Uniform decisions establish the principle that an intervener may not go beyond what protects his interest on which the intervention was based.

This established principle invoked here by respondent is a wise and reasonable one, as shown by two considerations. Intervention is a privilege in our law, set up to accomplish the definite end which justifies it, and therefore should not be made the means of attaining a further and unrelated end. To depart from that principle would lead to undesirable and burdensome results in this and in other cases, for the present situation is not a special one.

If there is to be no rule of law restricting an intervener's actions to what will protect his interest in the suit, then the allowance of a wider scope of action should be a matter of trial Court discretion in each case. In this view, the decision below should be affirmed as a reasonable exercise of a discretionary power.

On the Second Question.

Petitioner's claim should be dismissed in any event because respondent is a non-resident plaintiff and has neither expressly nor impliedly waived its venue privilege as against petitioner, an intervener, whom it did not sue and could not sue in the district of this suit.

ARGUMENT ON THE FIRST QUESTION.

POINT I.

There is nothing either in the nature of the suit or in the acts of respondent to support the view that petitioner is in the case in invitum and that it is in effect the party sued although not charged in the bill.

It is elemental that the *use* of an infringing machine is a tort, separate and distinct from the tort involved in making and selling the machine. It is undeniable that the only cause of action set out in respondent's bill of complaint is the separate tort involved in defendant's *use* of the machine identified in the bill. These are the fundamentals which prevent petitioner from having the status of a defendant charged in the bill.

In going to these fundamentals, we do not ignore the fact that, as the manufacturer of defendant's machine, petitioner has a greater interest than any one user has in the question of patent scope that will be passed on in this case. What we say is that petitioner does not thereby become the real party in interest. The real party in interest in this suit on the accused side is the defendant, Freeman, Inc. Certainly it is very real to it whether or not it can operate the automatic feed on its press and that reality is not lessened by the fact that the indirect consequences of this suit are also real to petitioner.

The Courts have recognized and provided for this familiar situation of a patent suit against a "user" whose only offense lies in his use of the patented machine, and against a dealer or jobber whose only offense lies in selling the patented articles. They do not deny or attempt to restrict the patent owner's right to sue each infringer so long as there is not a multiplicity of suits evidencing an intent to harass the trade. Here but one user has been sued. If successful, respondent will proceed against petitioner and against the other users of the infringing machine. Because

of petitioner's open defense of the present suit, there will be an estoppel against it when it is sued and respondent's task will be simplified to that extent. If respondent fails in this suit, petitioner and its other customers will be protected by the same estoppel. *Kessler* v. *Eldred*, 206 U. S. 285; *Marshall* v. *Bryant Elec. Co.*, 185 Fed. 499. This practical way of handling the situation within the mold of established judicial procedure is entirely fair to all concerned and experience shows it to be workable.

The material point of this review of the situation is that this conventional procedure involves no distortion of the elemental fact that the "user" suit is in fact a suit by the patent owner against the user. It never loses that character. In applying the estoppel principle by which the decision in the user suit is made practically decisive of subsequent suits against the same machine in other hands, the courts do not fail to respect this fact. The result is attained by orderly legal procedure when the subsequent suits arise. It is not attained by converting the user suit into a suit against the manufacturer or against other users. The law has no process and as we understand it no policy of thus forcing a defendant upon a plaintiff.

There is a situation, not the present one, in which the manufacturer becomes a defendant *in invitum*. It is a fairly common practice in dealer suits to charge the manufacturer in the bill even though he is not to be found in the district of suit. Then if he appears generally or intervenes he becomes a real defendant, the controlling factor in giving him that status being that plaintiff solicited him to take it and he acceded to the solicitation. And there doubtless is other conduct by the plaintiff, as Judge Hand states (R., 36), that could have the same result.

Petitioner has sought throughout this case to create the appearance of a fact situation that would make it a defendant *in invitum*. This has taken the form of an assertion that a copy of the bill was served on petitioner, and a special interpretation of the language of the order allow-

ing intervention where it says that petitioner "is granted leave to intervene in said suit as a party defendant" (R., 14), and the statement in the opinion of the District Court on the intervention petition that "said Company will, as is arranged, be bound by the decree in this suit."

As to the interpretation of the District Court's statements, all question would seem to be put at an end by the fact that the same Court denied petitioner the right to assert its claim against respondent. Judge Campbell based this denial squarely on the authorities which accord the intervener only a limited status (R., 27-28). As to the assertion (Petitioner's brief, p. 6) that respondent's counsel "served on petitioner's counsel a copy of the bill of complaint as filed", the sole basis for this is that respondent's counsel mailed a copy of the bill to John F. Oberlin, Esq., who had written in response to a notice of infringement sent to Joseph Freeman, Inc., now the defendant. This was but an act of courtesy of a very usual character. As the counsel whose act it was, we say unequivocally that it had no other purpose or significance. The attempt to give it the legal significance of the word "served" is wholly unwarranted and calls for immediate rejection. Neither Court below accepted petitioner's contention as to the effect of service of the bill on the intervener and we believe that these concurrent findings should be accepted here.

Petitioner fails to establish itself as a real defendant either by reason of the nature of the suit or by reason of any acts of respondent. There remains then only the question of the intervener's status and rights as a matter of law and the practical question whether or not the scope of an intervener's activity beyond the intervention purpose should be left to the discretion of the trial Court, if any scope is allowed at all.

POINT II.

Uniform decisions establish the principle that an intervener is not permitted to go beyond what protects his interest on which the intervention was based.

It can be stated flatly that no reported opinion expresses a view contrary to this principle. The most that is asserted by way of exception to it is that in the *Expansion Bolt* case, 234 Fed. 868, C. C. A. 7th, a *result* was achieved contrary to the principle, and even that is open to question. The opinion of neither the District Court nor the Court of Appeals in that case discloses any consideration of this question of the proper scope of intervention activity. And the fact that the Court of Appeals dismissed the counterclaim for lack of infringement makes it impossible to say that a decision on the intervention question was involved by necessary implication.

Petitioner's excerpt from the brief in that case makes plain how mildly was this question of an intervener's scope of action put forward by the plaintiff there and what great emphasis was put on the independent question of venue. It seems to us that the *Expansion Bolt* case must be taken either as involving merely the dismissal of the counterclaim, its actual decision, or as a precedent only to the extent of what the opinion considers which is the venue question and the question of infringement. Furthermore, the opinion of the District Court in that case (216 Fed. 186) refers to special facts which seem to have been accepted as making the intervener there a defendant *in invitum*.

The principle that an intervener has only a limited scope of action has been applied equally where the intervener attemped to assert independent *claims* as counterclaims, the situation here, and where the action beyond the intervention purpose was the assertion of *defenses* not available to the original defendant. It has been applied equally both in suits on patents and in suits on other rights. It has

been applied since the new Equity Rules as well as before. And it has been recognized in judicial statements *obiter* and by the text writers as an established principle of intervention. The case from the English law which petitioner cites (Montgomery v. Foy [1895], 2 Q. B. 321) does not represent a contrary view for the report shows it to have been based on special grounds.

In the particular fact situation of this case, that of an attempt to counterclaim on the part of an intervening manufacturer in a patent suit against one of his customers, there have been two reported District Court decisions denying the right to counterclaim when the counterclaim was not available to the original defendant and had nothing to do with the intervener's interest in the suit.

Curran v. *St. Charles Car Co.*, 32 Fed. 835, C. C., E. D., Mo.
Leaver v. *K. & L. Box & Lumber Co.*, 6 F. (2d) 666, D. C., N. D., Calif.

A quotation from the case of *Leaver* v. *K. & L. Box & Lumber Co.*, 6 Fed. (2d) 666, D. C., N. D., Calif., decided in 1925, sufficiently illustrates the view.

> "The courts, state and federal, have always striven to maintain the integrity of the issues raised by the original pleadings, and to keep newly admitted parties within the scope of the original suit. 21 C. J. 343; Shepard v. New Jersey Consolidated Water & Light Co., supra [73 N. J. Eq. 578, 74 A. 140, 142, 143]. Here the vendee of a machine which is alleged to infringe plaintiffs' rights under certain patents has been sued, and the sole issue presented by such suit is plaintiffs' right to an exclusive use of the machine. The intervener, its manufacturer, seeks by counterclaim to litigate the question of its right to recover damages against the plaintiff, for interference with its business, threatening its customers, and advertising an intention to sue all purchasers of such machines from it. That

these are causes of action not related to nor germane to the issues of the bill is self-evident.

As before stated, when a person, not a party to a pending suit, who is interested in its subject-matter, desires, for his own protection, to assert his independent rights and raise new issues, he must do so by an original bill, and not by way of cross-bill or counterclaim."

In cases which differed only in that the original suit was not for patent infringement, the same result has been reached as actual matter of decision:

Atlas Underwear Co. v. *Cooper Underwear Co.*, 210 Fed. 347, D. C., E. D., Wis.
DeSousa v. *Crocker First National Bank*, 23 F. (2d) 118, D. C., N. D., Calif.

In numerous cases involving questions of the status of an intervener, the same rule has been stated as settled law, although the particular facts did not call for its application as matter of decision.

Angier v. *Anaconda Wire & Cable Co.*, 48 F. (2d) 612, D. C., Del.
Allington v. *Shevlin-Hixon Co.*, 2 F. (2d) 747, D. C., Del.
Tretolite Co. v. *Darby Petroleum Corp.*, 5 F. Supp. 445, D. C., N. D., Oklahoma.
Borne Scrymser Co. v. *Gaffney Manufacturing Co.*, 5 F. Supp. 405, D. C., W. D., South Carolina (affirmed 68 F. [2d] 104, C. C. A. 4th).
Board of Drainage Com'rs v. *Lafayette Southside Bank*, 27 F. (2d) 286, 296, C. C. A. 4.

On the question of the right of an intervener to present defenses not available to the original defendant, the rule is the same that the scope of activity permitted to the intervener cannot exceed that which is open to the original defendant.

Prince v. *Childs Co.*, 23 F. (2d) 605, C. C. A. 2.
Powell, et al., v. *Leicester Mills*, 92 Fed. 115, C. C., E. D., Pa.
Hopkins v. *Lancaster*, 254 Fed. 190, D. C., N. D., Ala.

We see no escape from the view that to hold with petitioner here would require a departure from an established principle and that such a departure would be a precedent not only for patent suits but for all interventions.

Petitioner presents a series of argumentative points to distinguish each of the cases which respect this principle but no substantial distinction either between the patent and non-patent cases or between the cases since and those preceding the new Equity Rules. The uniformity and consistency of the cases can not be dissembled nor can the cumulative effect of these many decisions and judicial declarations be decried. There *is* a principle. It *is* established. It is a principle of intervention, not of the equity rules, and it is not confined to patent cases.

POINT III.

This established principle invoked here by respondent is a wise and reasonable one. Intervention is a privilege in our law, set up to accomplish the definite end which justifies it, and therefore should not be made the means of attaining a further and unrelated end. To depart from that principle would lead to undesirable and burdensome results in this and in other cases, for the present situation is not a special one.

Intervention is a Privilege Which Should be Limited to What Justifies It.

Intervention is recognized as being a matter of absolute right when a fund is administered in which a stranger to the suit has an interest that would be lost if not asserted

in the pending suit. It is permitted as a discretionary matter when the stranger has an interest in the litigation that would be affected by the decree although not lost if not asserted. In this latter situation the Court has a discretionary power to grant or deny the intervention on its judgment of the extent of the stranger's interest and the necessity or desirability of allowing it to be presented in the pending case. *Credits Commutation Co.* v. *United States*, 177 U. S. 311; *Minot* v. *Mastin*, 95 Fed. 734, 739, C. C. A.

Intervention by its nature is a privilege. It involves an intrusion which must justify itself. This it does when the stranger has an interest in the suit, but the justification exhausts itself when the stranger is given an opportunity to have his interest protected. Anything further lacks that justification and is no different from an attempted intrusion by a stranger who has no interest at all.

This conditional, exceptional character of intervention and the considerations which have gained it recognition in our law, present a powerful argument for the principle that the privilege should not be used to attain some end unrelated to what justifies the intervention. It should not carry with it a further privilege which has no similar warrant. It is enough that the will of a party has been over-ridden to the extent necessary to permit the stranger to protect his interest in the suit.

These considerations apply here with particular force because, of all types of intervention, that which we have here presents the least need and therefore the greatest grant of a favor. In fact, Rule 37 itself furnishes no warrant for such intervention. It has come to be allowed, we think, solely because it amounts to no more than formal recognition of the manufacturer's voluntary presence for the purpose of conducting the defense. But when it is sought to enlarge this gratuitous intervention into a means of asserting independent claims which would not them-

selves justify intervention, then we think it necessary to go back and inquire whether petitioner's intervention was proper in the first place.

Petitioner's "interest in this litigation" is in seeing to it that the defense is well conducted. This interest arises entirely from petitioner's concern as to the business consequences that may flow from having respondent's patent upheld in this suit. Its petition to intervene shows that and nothing more (R., 7-10). All that petitioner can do to protect that interest is to see that the defense is well presented. If that should be ineffective and respondent should prevail, the consequences which cause petitioner's concern will follow inevitably. Establishing petitioner's claim against respondent can not alter or stay those consequences.

But petitioner could accomplish all this by conducting the defense openly without intervening, for that would assure petitioner of a binding estoppel as between it and respondent under the rule of *Souffrant* v. *La Compagnie, etc.*, 217 U. S. 475, 486-7. So the practical justification for intervention is slight indeed. *Ring Refrigerator, etc., Co.* v. *St. Louis Ice, etc., Co.*, 67 Fed. 535, 539; *Gaines* v. *Rock Spring Distilling Co.*, 179 Fed. 544, 555.

The question is whether it has any legal warrant in Rule 37. The rule says that any one claiming an *interest* in the litigation may be permitted to *assert his right* by intervention. Petitioner's interest in this suit is not a direct interest or a legal interest. It is a concern about the consequences over. And when petitioner defends its customer it is not asserting any right; it is merely taking action to guard against those consequences as best it can. If the word "interest" in Rule 37 does not mean a legal interest, the words "assert his right" have no logical connection. If "interest" embraces a mere concern, the rule would have said that one having an interest may take action by

intervention to protect it. As written, however, the rule states a particular action, namely, the assertion of a right, which is compatible only with the notion that the interest is a legal interest.

This is the view of the cases prior to the rule with which the language of the rule is entirely consistent. In *Smith v. Gale*, 144 U. S. 509, this Court had before it the Dakota Code provision respecting intervention which said that "Any person may, before the trial, intervene in any action or proceeding, who has an interest in the matter in litigation, in the success of either party, or an interest against both" (id., 517). As to the nature of the "interest" required, Mr. Justice Brown said:

> "These provisions of the Dakota code above cited are found in the codes of several of the States, and appear to have been originally adopted from Louisiana, wherein it is held by the Supreme Court, interpreting a similar section, that the interest which entitles a party to intervene must be a direct interest, by which the intervening party is to obtain immediate gain or suffer loss by the judgment which may be rendered between the original parties" (id., 518).
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> "In this case the petition not only fails to show any title in the intervenor, and no beneficial claim to or lien upon the property in suit, but it shows conclusively that such interest as she once had has been conveyed away to Hodgdon, and that the only actual interest she could possibly have in the result of the litigation was the contingency of being held upon the covenants of warranty in the deed to Hodgdon. This, however, is not the direct and immediate interest which, under the construction given to this statute by the courts of Louisiana, California and Minnesota—a construction which we do not hesitate to adopt—is necessary in order to entitle a person to intervene. Her

liability to Smith would depend upon the scope of her covenants, and could properly be determined in a separate action" (id., 519).

These facts of *Smith* v. *Gale* parallel the facts here. Petitioner's only interest here is a contingent one which can be protected in a separate action, even better protected than in the situation of that case because petitioner has the estoppel resulting from open defense of the suit.

Other cases show the same requirement of a legal interest. *Chester* v. *Life Ass'n of America*, 4 Fed. 487, 491 and *Gregory* v. *Pike*, 67 Fed. 837, 845-846. In the English law the same view appears, for the single case we have been able to find denies intervention to a manufacturer in a patent suit against his customer. *Moser* v. *Marsden* (1892), 1 Ch. 487; 9 R. P. C. 214.

If we are correct in our reading of Rule 37, it follows that the intervention in the present case has no legal warrant. And if not warranted, certainly it can not be used as an avenue to the assertion of claims unrelated to any issue in the suit or to the petitioner's concern over the possible consequences of the suit.

To Enlarge the Intervener's Right Would Produce Undesirable Results.

The reasonableness and wisdom of the principle restricting interveners to what serves the intervention purpose are shown further by what would result from a contrary view. Intervention is most common in cases of considerable complexity, exemplified by the foreclosure of corporate liens, stockholders' actions and the like, where the interests of many persons are involved. To say, as a matter of law, that an intervener has a right to present independent claims unrelated to the interest on which intervention is predicated, might easily result in a multitude of unrelated issues which would render an adjudication of the main issues extremely burdensome.

For instance, to show the extreme, a group of stockholders of a defendant company in a mortgage foreclosure litigation, intervening on the ground that the directors of the defendant company were not defending properly, might include a stockholder who had a claim for patent infringement against the plaintiff and another stockholder who had a contract claim calling for equitable relief against the plaintiff and another with still a different claim against the plaintiff equally far removed from the mortgage foreclosure, and all would have to be permitted to inject their claims into the litigation.

The reality of such a burdensome result has been recognized by the courts. See, for instance, *Glass* v. *Woodman*, 223 Fed. 621, 622-3. The courts likewise have recognized that intervention itself, even within its rightful scope, involves a burden because of adding issues to the original suit and for that reason they exercise caution in the grant of the intervention privilege. Simkins, in "A Federal Equity Suit", Rev. Edit. (1934), page 679, states this as follows:

> "This caution on the part of the courts is based upon the theory that the plaintiff should not be compelled to enter into litigation with parties not of his own seeking; if he is, what he sets out to do by a simple suit may, against his will, become complicated, expensive, and interminable." Citing *Leaver* v. *K. & L. Box Lumber Co.*, 6 F. (2) 666, 667; *Gregory* v. *Pike*, 67 Fed. 845 and *Chester* v. *Life Asso. of America*, 4 Fed. 491, 492."

If this consideration is of sufficient importance to give the courts pause when granting intervention, despite the off-setting consideration furnished by the desire to protect the intervener's interest in the suit, it is of even greater force in our situation where the burden of the added issues carries with it no such compensatory result.

The fact is that any argument in behalf of what petitioner seeks to do here would be equally good to justify

the admission of a stranger who had no interest in the original issues. For with respect to claims unrelated to its interest in the suit, petitioner is in no different position from that of the stranger with no interest at all. Conversely, all the reasons which lead to the universal exclusion of such strangers are equally pertinent and forceful to sustain the dismissal of petitioner's claim here.

The Case Here Calls For No Special Rule.

In our particular case, no unique situation is presented. It calls for no special rule. Petitioner seeks to make it seem so by the assertion of a common subject matter for the respective patent infringement claims of petitioner and respondent (Brief, 20-22). There is no common subject matter in fact.

It is true that the patents of both petitioner and respondent deal with printing presses and that petitioner and respondent are competing manufacturers. Beyond that there is nothing common to the two. The patents are not competing patents in any sense of being asserted to cover the same invention. Respondent's patent was issued in 1920, ten years before the grant of petitioner's patent, which therefore has a subordinate position. Unfortunately the present record does not admit of discussion to show their difference in subject matter. If the two were litigated in the same suit, either patent could stand or fall in full indifference to the other. Either one could be found to be infringed without effect upon the question whether or not the other was infringed. Either one could go to a final decision regardless of the outcome of the other. There is complete independence.

Petitioner seeks to link the two in its statement that "By suing a user of petitioner's device respondent has questioned petitioner's right to make, sell and use the invention of its patent and the correlative right to exclude others from so doing, in a concrete instance" (Brief, 20).

This is not so. Respondent's suit has nothing to do with petitioner's right to exclude others from using petitioner's invention. Petitioner's right to exclude others depends solely on the validity of its patent, a matter that is not put in issue by respondent's suit and is not affected either by the validity of respondent's patent or by the infringement of it by defendant's machine. Petitioner's argument misconceives the most elemental principles as to the nature of the patent right.

The same misconception leads petitioner to say that if it does not assert its claim it would permit respondent to "whittle away" petitioner's trade and patent rights (Brief, 20). The most sweeping victories on respondent's patent against defendant, against petitioner and against each user of petitioner's machines, would leave petitioner's patent rights entirely unscathed. We might suggest that petitioner's patent rights can be whittled away if they are asserted, but are safe if they are kept at home. And as for the whittling away of petitioner's trade, certainly it is true that if defendant or petitioner or anyone else is infringing respondent's patent, its trade ought to be whittled away to the extent of the infringement.

Equally confused is petitioner's argument that its claim against respondent arises out of the transaction which is the subject matter of respondent's suit. This is partly to make it seem that its claim is one that *must* be put forward under Rule 30 and partly to foster the idea that there is some relation between the two claims that calls for their adjudication in one suit. Neither cause of action depends on any fact included in the other cause of action. The transaction which is the subject matter of respondent's suit is defendant's use of one form of machine alleged to be an infringement of a patent owned by respondent. On the other hand, petitioner's claim against respondent arises out of the fact that respondent makes another and different form of machine alleged by petitioner to be an infringement of another patent owned by petitioner. Re-

spondent's cause of action does not depend on the fact that it makes a press, the fact on which petitioner relies for the cause of action on its patent. And petitioner's cause of action would be the same if respondent had no patent and petitioner made no press. Neither cause of action arises from facts that are necessary to or in any way related to the other cause of action.

Petitioner tries to create a common transaction or background embracing both claims. It does this first by vague talk of a "trade dispute". The "trade dispute" notion would equally as well justify the reception into a suit of all competitors in the trade who had claims of any sort against the litigants, regardless of interest in the suit. There is no specific trade dispute here that gives common background to the respective patent infringement claims of petitioner and respondent. These claims could be called phases of a trade dispute only in the broadest sense of being phases of general competition in the press business. That is too remote to mean anything.

Then petitioner quotes Judge Hand's statement that "It is to be assumed that a single press may, and does, embody the features claimed in both patents — an invention." Petitioner goes on from this to an assumption that there is a conflict between the claims under the respective patents and that this conflict involves a "single question" as to "who has the right to make, sell and use the press involved, respondent under the patent of the bill, or petitioner, and through it defendant, under the patent of the counterclaim?" (Brief, 21-22).

This assumes that both respondent's and petitioner's presses employ some single invention and that there is a conflict between the two patents as to which patent gives a monopoly of this single invention. The argument also seems to be made in the light of the misconception that appears elsewhere in petitioner's brief that a patent gives the right to use the invention as against other patents. Petitioner's patent, even if infringed by respondent's ma-

chine, could not give petitioner or defendant a right to infringe respondent's much earlier patent. Likewise, respondent's patent gives it no right to employ any improvement validly protected by petitioner's patent. So neither in Judge Hand's statement nor in anything else in the record is there warrant for this assumption which petitioner makes or for its conclusion that the case involves a single question of mutually exclusive rights to use a single invention. Such a single question could exist only if the two patents were for some one invention employed in both machines.

Petitioner's final argument is a loose generalization of the policy of settling as many controversies as possible in one suit. But that policy does not call for the limitless expansion of any one suit. It may call for liberal construction of any rule bearing on the question of parties. But it does not open the doors of a litigation to all comers who do not qualify under some rule, liberally construed within the limits of its wording. Petitioner's argument would leave no ascertainable limits for it has only the vague outline of "liberal policy" to say where to stop. We are not so helpless in this case. Our situation here is governed by an established principle of intervention which calls for affirmance of the decision below.

POINT IV.

If there is to be no rule of law restricting an intervener's actions to what will protect his interest in the suit, then the allowance of a wider scope of action should be a matter of trial Court discretion in each case. Therefore the decision below should be affirmed in any event as a reasonable exercise of a discretionary power.

If it should be thought that the declaration of an inflexible rule defining the limits of intervention activity would work a hardship in exceptional cases that may arise, then

a practical solution would be to declare a general policy in accordance with the established principle and leave exceptions for discretionary administration by the District Courts. The intervener's entry being subject to a discretionary power, except where the intervener claims against a fund in court, it is a natural corollary to make the regulation of activity after entry a matter of discretionary power, especially the regulation of activity reaching beyond the purpose which justified the entry in the first place.

In any such practical working out of the situation, it should be immaterial whether the intervener's assertion of a claim or defense is made after intervention or upon its petition for leave to intervene. To hold otherwise would sanction an irregular practice by which an intervener could circumvent the discretionary power of the District Court to grant or deny intervention. In this case, for instance, petitioner did not follow the regular practice* of submitting its proposed pleading when it asked leave to intervene. Had it done so, the Court presumably would have rejected the proposed "counterclaim" (since it did reject it when presented later) and would have permitted intervention only on the condition that petitioner confine itself to joining in the defendant's answer to the charges of the bill. The power to deny intervention on reasonable grounds should carry the power to grant it on reasonable terms.

This view of the subject as one for discretionary action would likewise call for affirmance in this case, because the dismissal of petitioner's pleading called counterclaim was a reasonable exercise of discretionary power. The trial Court (R., 26) based its ruling on what it correctly conceived to be a prevailing view that an intervener ought not to be allowed to present such claims. Hence its action in following them was reasonable. The Circuit Court of Appeals (R., 35) considered both the precedents and the bal-

*Toler, et al., v. East Tennessee, etc., Ry. Co., 67 Fed. 168, 174. Rhinehart v. Victor Talking Machine Co., 261 Fed. 646-648.

ance of advantage in the case at hand and thereupon affirmed. The concurrence of these two rulings, the precedents for them, and the reasonableness of the result preclude any question of abuse of discretion.

ARGUMENT ON THE SECOND QUESTION.

Petitioner's claim should be dismissed in any event because respondent is a non-resident plaintiff and has neither expressly nor impliedly waived its venue privilege as against petitioner, an intervener, whom it did not and could not sue in the district of this suit.

The venue statutes provide that a party shall not be sued in any district save that of his residence, excepting that in patent suits a party may be sued not only in the district in which he is an inhabitant but also in the district in which he "shall have committed acts of infringement and have a regular and established place of business." (Section 48, Judicial Code, Sec. 109, Title 28, U. S. C.)

Respondent is a non-resident plaintiff, being a Minnesota corporation with a principal place of business in St. Paul, Minnesota (R., 3). Petitioner is an Ohio corporation, resident in Cleveland (R., 7). Petitioner charges respondent with acts of infringement in the district of suit but does not allege, as it could not, that respondent has a regular and established place of business within the district. The jurisdictional requirements provided for in Section 48 of the Judicial Code are accordingly not met and the District Court has no jurisdiction of respondent with respect to the asserted claim unless respondent has waived the privilege of the venue statutes either expressly or by implication of law.

Such waiver is implied in situations where a plaintiff has chosen to sue a particular defendant in a district other than the district of plaintiff's residence. *Leman* v. *Krent-*

ler-Arnold, 284 U. S. 448; *General Electric Co.* v. *Marvel*, 287 U. S. 430. This is for the reason that to allow a litigant to avail himself of the processes of a Court without concurrently subjecting himself to the jurisdiction of the Court for any other purpose would confer upon him the inequitable advantage of having all the rights of a plaintiff without giving his adversary all the rights of a defendant including the right to counterclaim. The extent to which this carries appears from the statement in Langdell's Equity Pleading, Chapter 5, Section 119, cited with approval by this Court in *Young Co.* v. *McNeal-Edwards Co.*, 283 U. S. 398. Langdell observes:

> "• • • the plaintiff being already in court, qua plaintiff by his own voluntary act, it is reasonable to treat him as being there for all the purposes for which *justice to the defendant requires his presence.*" (Emphasis ours.)

The situation here is not the same. The non-resident plaintiff has not come into the district for the purpose of availing himself of the processes of the Court against the intervener. In fact, respondent could not sue the intervener in this district and has vigorously opposed the intervention. Therefore, the question is whether or not a non-resident plaintiff, by the mere act of bringing suit against one person, waives his venue privilege with respect to all claims that might be asserted by all persons who are not sued, who could not be sued, but who might be allowed to intervene.

We think there is no such waiver, for the considerations that support the waiver with respect to a defendant are not present. No inequitable advantage is given to the plaintiff if its venue privilege is preserved as against an intervener. In fact, to imply a waiver would go far beyond any intent on the plaintiff's part, and would expose a plaintiff to unexpected suits in a foreign jurisdiction, something which the venue statutes were designed to avoid.

The views expressed by this Court in *Leman* v. *Krentler-Arnold Co.* and *General Electric Co.* v. *Marvel, supra,* do not carry that far and the only decision of which we are aware in which a counterclaim was considered under analogous facts is *U. S. Expansion Bolt Co.* v. *Kroncke,* 234 Fed. 868. A study of that case convinces that the waiver upon which the Court relied was more than the mere fact of bringing suit. The decision points out (p. 871):

> "While suit could not, in the first instance, have been maintained in Wisconsin by the Diamond Expansion Bolt Company against appellant over its objection upon either the Pleister or the Cook patent, we have no doubt but that appellant waived that objection by its action in bringing the suit in the Wisconsin district as well as by statements of counsel shown on pages 1085 and 1087 of the record in the premises with regard to the patents of the counterclaims."

It may well have been that the statements of counsel referred to by the Circuit Court of Appeals were sufficient to establish a formal waiver, particularly as the lower Court decision (216 Fed. 186) states that the Expansion Bolt Company of New York had "assumed the defense of the suit with the acquiescence of the plaintiff."

Nothing of any similar purport appears in this suit. Instead of acquiescence in the entry of intervener into the suit, its entry was strenuously opposed. Certainly no implied waiver can be spelled out of these facts.

The dismissal of the pleading put forward by petitioner as a counterclaim should be affirmed.

Respectfully,

Dean S. Edmonds,
John Hoxie,
Curt Von Bostticher, Jr.,
Counsel for Respondent,
Brandtjen & Kluge, Inc.

SUPREME COURT OF THE UNITED STATES.

No. 11.—October Term, 1935.

The Chandler & Price Company, *vs.* Brandtjen & Kluge, Inc., and Joseph Freeman, Inc.	On Writ of Certiorari to the United States Circuit Court of Appeals for the Second Circuit.

[November 11, 1935.]

Mr. Justice Butler delivered the opinion of the Court.

Brandtjen & Kluge, Inc., brought this suit in the District Court for Eastern New York against Joseph Freeman, Inc. The bill alleges that plaintiff is the owner of patent No. 1,363,200 for "Improvements in Automatic Feed and Delivery for Platen Presses", that defendant is using an infringing printing press, and prays injunction and accounting. Before answer by defendant, the Chandler & Price Company applied to the court for leave to intervene as a party defendant. The substance of the facts it alleges in order to show that it has an interest in the litigation (Equity Rule 37) is as follows: Petitioner is engaged in manufacturing and selling printing presses. It made and sold to defendant the one of which the bill complains, and intends openly to defend this suit. After it put its machine upon the market, plaintiff threatened to sue users for infringement and as a consequence petitioner's customers required it to give bonds for their protection. Before bringing this suit, plaintiff's counsel wrote defendant enclosing a copy of plaintiff's patent and asked defendant to respect their client's rights. That letter having been referred to petitioner, its counsel inquired of plaintiff's counsel whether suit would be brought against defendant (a user of one press) in the Eastern District of New York rather than directly against petitioner (a manufacturer and seller) in the Northern District of Ohio. Plaintiff's counsel answered that decision to sue defendant in the New York district had been reached and promised to serve a copy of the bill upon petitioner's counsel. Shortly after commencement of suit that was done. Plaintiff's threats to bring infringement suits against users injured petitioner's business and

unnecessarily harassed its customers. Although long before commencement of the suit its device had been shown to plaintiff's counsel and plaintiff knew that it was being sold throughout the United States, plaintiff did not sue petitioner. Defendant has not sufficient interest in the result of the litigation to defend this suit on its own account. Petitioner's intervention is necessary for the protection of its interest.

Contrary to the better practice, the application for intervention did not present a proposed answer. Cf. *Toler* v. *East Tennessee, V. & G. Ry. Co.*, 67 Fed. 168, 174. *Stallings* v. *Conn*, 74 F. (2d) 189, 191. It did not suggest that, independently of defendant or otherwise, petitioner sought opportunity in this suit to enforce a claim for patent infringement against the plaintiff. After hearing, the court granted the leave applied for. Thereupon, the defendant and intervenor filed an answer in which jointly they deny infringement and assert invalidity of plaintiff's patent. And in the same answer the intervenor separately sets up a counterclaim against the plaintiff for infringement of patent No. 1,849,314 for "Improvements in Sheet Transferring Mechanism for Printing Presses" owned solely by it and prays decree against plaintiff for injunction and accounting. Maintaining that it states a cause of action to which the original defendant is a stranger, plaintiff moved to dismiss the intervenor's counterclaim. The district court granted the motion. The Circuit Court of Appeals affirmed. 75 F. (2d) 472.

The order granting intervention is not here challenged. The sole question is whether intervenor may bring into this suit a controversy between it and plaintiff in which defendant has no interest.

Intervenor insists that it, rather than the defendant sued, is the real party in interest and that its counterclaim should be permitted so that the entire controversy between the real parties may be settled in a single suit. But intervenor's legal position in relation to the case differs essentially from what it would have been had the bill named it as a defendant and alleged a cause of action against it in the infringement suit. Undoubtedly in such a case the petitioner, whether or not suable in that district (§ 48, Judicial Code) would have had the right to enter its appearance and make its defense, and also to set up counterclaim against plaintiff. *Leman* v. *Krentler-Arnold Co.*, 284 U. S. 448, 451. *General Elec. Co.* v. *Marvel Co.*, 287 U. S. 430, 435. Here plaintiff's alleged

cause of action is use by the defendant of a single machine alleged to infringe patent No. 1,363,200 belonging to plaintiff. Defendant has no interest in patent No. 1,849,314 owned by intervenor and made the basis of the counterclaim in question. The bill neither alleges any cause of action nor prays judgment against the intervenor. Petitioner was not sued and, until granted leave to intervene, it was a stranger to the suit. The facts alleged in its application were not sufficient to show that as a matter of equitable right petitioner is entitled to intervene. *Western Union Telegraph Co.* v. *United States & M. T. Co.*, 221 Fed. 545, 552. *United States Trust Co.* v. *Chicago Terminal T. R. Co.*, 188 Fed. 292, 296. *Toler* v. *East Tennessee, V. & G. Ry. Co., supra*, 171-172. *Chester* v. *Life Ass'n of America*, 4 Fed. 487, 491. The showing presents a situation familiar in patent infringement cases brought against a user where the maker of the accused article is upon its application and in the discretion of the court permitted to intervene. *Curran* v. *St. Charles Car Co.*, 32 Fed. 835, 836. *Foote* v. *Parsons Non-Skid Co.*, 196 Fed. 951, 953. *Continuous Extract P. Corp.* v. *Eastern Cotton Oil Co.*, 264 Fed. 340. *Baldwin* v. *Abercrombie & Fitch Co.*, 227 Fed. 455; 228 Fed. 895, affirmed *sub nom. Abercrombie & Fitch Co.* v. *Baldwin*, 245 U. S. 198, 200. See *Angier* v. *Anaconda Wire & Cable Co.*, 48 F. (2d) 612, 613. The record discloses no foundation for the claim that the defendant sued is not, or that the intervenor is, the real defendant in interest.

There is no suggestion that defendant has any interest in the counterclaim or that the issues between intervenor and plaintiff that are tendered by, or that might possibly arise out of, the counterclaim may not be adjudged in a separate suit. The intervenor was not entitled to come into the suit for the purpose of having adjudicated a controversy solely between it and plaintiff. Issues tendered by or arising out of plaintiff's bill may not by the intervenor be so enlarged. It is limited to the field of litigation open to the original parties. *Curran* v. *St. Charles Car Co., supra*, 837. *Powell* v. *Leicester Mills*, 92 Fed. 115. *Atlas Underwear Co.* v. *Cooper Underwear Co.*, 210 Fed. 347, 355. *Leaver* v. *K. & L. Boz & Lumber Co.*, 6 F. (2d) 666. *De Sousa* v. *Crocker First Nat. Bank*, 23 F. (2d) 118, 122. *Board of Drainage Com'rs* v. *Lafayette Southside Bank of St. L.*, 27 F. (2d) 286, 296. *Tretolite Co.* v. *Darby Petroleum Corporation*, 5 F. Supp. 445, 446. The decisions of the district court and the Circuit Court of Appeals in *United States*

Expansion Bolt Co. v. *H. G. Kroncke H. Co.*, 216 Fed. 186; 234 Fed. 868, are disapproved to the extent, if at all, that they tend to support intervenor's contention that it is entitled to set up the counterclaim.

The intervenor invokes Equity Rule 30 and insists that counterclaims there referred to are not restricted to those required or permitted to be set up by a defendant sued in contradistinction to an intervenor as party defendant under Rule 37. And it further insists that, by virtue of the leave to intervene and in view of the answer interposed, it is a defendant within the meaning of Rule 30. That rule declares: "The defendant by his answer shall set out . . . his defense to each claim asserted in the bill . . . The answer must state . . . any counterclaim arising out of the transaction which is the subject-matter of the suit, and may, without cross-bill, set up any set-off or counterclaim against the plaintiff which might be the subject of an independent suit in equity against him . . ." It is true, as suggested by the intervenor, that this rule does not expressly make a distinction between a defendant named in the bill and one who, leave having been granted, intervenes as a party defendant. But the context makes against construing the word "defendant" as used in the rule to include one permitted to intervene. See *Allington* v. *Shevlin-Hixon Co.*, 2 F. (2d) 747, 749. The statement that defendant shall set up his "defense to each claim asserted in the bill" is inconsistent with the construction for which the intervenor here contends. Intervention necessarily is subsequent to the commencement of the suit. As shown above, this bill does not make the intervenor a party or allege aught against it. It is plain that the rule does not authorize one given the privilege to intervene as party defendant to set up and enforce against the plaintiff a counterclaim not available to the original defendant and in which it had no interest. Construction of the rule that denies intervenor the right to set up the counterclaim in question is supported by Equity Rule 37 which declares: "Anyone claiming an interest in the litigation may at any time be permitted to assert his right by intervention . . ." It is essential that the applicant shall claim an interest in the matters there in controversy between the plaintiff and original defendant. The purpose for which permission to intervene may be given is that the applicant may be put in position to assert in that suit a right of his in re-

spect of something there in dispute between the original parties. Intervenor's counterclaim, involving nothing in which defendant is concerned, does not constitute the interest referred to in Rule 37.

Exclusion from the litigation of that demand is consonant with reason and in the interest of justice. Introduction by intervention of issues outside those that properly may arise between the original parties complicates the suit and is liable to impose upon plaintiff a burden having no relation to the field of the litigation opened by his bill. *Leaver* v. *K. & L. Box & Lumber Co., supra. Gregory* v. *Pike,* 67 Fed. 837, 845. In the absence of language definitely requiring it, the construction of Rule 30 for which the intervenor contends cannot reasonably be sustained. The counterclaim against the plaintiff was rightly dismissed.

Affirmed.

A true copy.

Test:

Clerk, Supreme Court, U. S.